Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Rls210	Philippines	Peo40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2300	Portugal	Es175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.800	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr6.50	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh19	Switz	SFr2.70
Greece	Dr250	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft182	Nigeria	Naira15	Tunisia	Din0.800
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

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Thursday December 19 1991

D 8523A

TECHNOLOGY
Japan's consumer hit of the year
Page 26

World News

UK premier accused of failing Britain at Maastricht

A strident attack by British opposition leader Neil Kinnock on prime minister John Major's handling of the Maastricht summit provoked a furious row in the House of Commons. The Labour party leader accused the UK government of turning Britain into a "downmarket economy on the fringe of Europe". Page 7

Soviet seamen die
Four Soviet seamen died after a huge wave smashed into their ship in storms off the west coast of Scotland. Helicopters lifted 48 of their shipmates to safety in a rescue mission lasting six hours.

Penalties irk Japanese
Japan's Fair Trade Commission is under extreme pressure from the ruling Liberal Democratic party to water down proposals on tougher penalties for violations of the country's anti-monopoly laws. Page 3

Lech Walesa defied
The Polish parliament defied president Lech Walesa by voting to support prime minister Jan Olszewski in renewed efforts to form the country's next government. It refused to accept the premier's resignation. Page 2

Seoul seeks inspection
South Korea's president Roh Tae Woo said there were no nuclear weapons in his country. He urged North Korea to submit unconditionally to international inspection of its nuclear facilities. Page 3

Passengers stranded
Tens of thousands of passengers were stranded when the Soviet state airline Aeroflot cancelled scores of flights. It happened because Moscow has only 10 days supply of aviation fuel left.

Mideast stalemate
Middle East peace talks in Washington adjourned until January 7 at a venue to be decided. Without dynamic American participation, they are likely to remain deadlocked. Page 3

Beijing's HK fear
Beijing claims Britain is plotting with Hong Kong's leading democracy campaigner to retain British influence after 1997. Page 3

Donbass miners strike
Six thousand miners from the Ukraine's giant Donbass mining area are on strike to demand full economic independence from Moscow. They have set a one-week deadline.

US lifts travel ban
Washington formally lifted a ban on US-organised travel to Vietnam in a slight easing of the trade embargo on its former adversary.

Polio returns to Iraq
Polio, previously almost eradicated in Iraq, is attacking 15 to 20 children a month since the Gulf war halted vaccinations.

Djibouti shootings
At least eight people, including three members of the security forces, were killed and 26 injured in a shoot-out in the capital of the tiny Red Sea republic of Djibouti. It began when police were checking identity papers.

Newfoundland hero dies
Joseph "Joey" Smallwood, a former premier of Newfoundland and one of the fathers of Canada's confederation, died in St John's, Newfoundland, aged 90. Tributes called him a hero and "Newfoundland's greatest son."

The brainbuilders
Scientists have created the first realistic imitation of a brain cell on a silicon chip and expect within five years to construct an inexpensive artificial brain. Page 18

Business Summary

Lasmo wins Ultramar with £1.1bn hostile bid

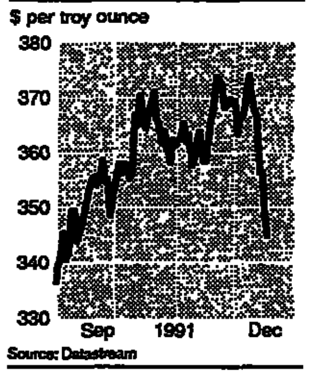
Lasmo, UK oil exploration company, surprised financial analysts by narrowly succeeding with its £1.1bn hostile offer for oil and gas group Ultramar. The takeover turns it into one of the world's largest oil explorers.

The tensely fought bid was won by a margin of 54.6 per cent with Lasmo tipping the balance in its favour by buying 3.55 per cent of Ultramar's shares from institutions on Tuesday. Both companies had been extremely nervous about the outcome until the final count. Page 19; Lex, Page 18

KVAERNER GOVAN, part of the Norwegian Kvaerner shipping and engineering group, announced it had won an order worth more than £200m for four chemical carriers, three for National Chemical Carriers of Saudi Arabia and one for the Norwegian-owned Storli group. Page 18; Govan's buoyant future, Page 7

Platinum continued Tuesday's retreat on the London bullion market after an early news leak that US carmaker General Motors was planning to close several assembly plants and cut thousands of jobs. Such a move would reduce demand for platinum for the manufacture of exhaust catalysts.

Platinum



Source: Datastream

NFC, UK transport and distribution business, reported a 4 per cent drop in pre-tax profits from £97.7m to £93.7m for the year to October 5 despite a strong advance in its core businesses. Page 19; Lex, Page 18

CAPITAL ADEQUACY standards to cover securities firms across Europe are being held up by continuing deadlock over other securities industry legislation. Page 22

WORLD FOOD production declined 1.4 per cent in 1991, the first fall since 1983, according to the Food and Agriculture Organisation. Page 32

VOLKSWAGEN, German motor group, said it expected continued expansion of its business next year and a gradual recovery in the main western European economies. Page 17

GERMAN INTEREST rates were the subject of renewed speculation when the Bundesbank announced it would hold a press conference after today's fortnightly meeting of its policymaking council. Page 18

US FEDERAL RESERVE chairman Alan Greenspan urged Congress to concentrate on the long-term structural weaknesses of the US economy rather than seek a "quick fix" tax boost to consumer spending. Page 4.

ANZ, Australian banking group, is to cut staff by 3,000 next year in an effort to reduce costs and increase efficiency. The announcement follows a cut of 2,230 jobs this year. Page 21

FRANCE condemned the results of the Uruguay Round trade talks before they had been published and will oppose a "text" put forward by Gatt director-general Arthur Dunkel. Page 4

Recession and Japanese competition force severe retrenchment

General Motors to cut 21 plants and 70,000 jobs

By Martin Dickson in Detroit

GENERAL Motors, the world's largest car manufacturer, yesterday said it would close 21 factories and slash its workforce by some 70,000, or 18 per cent, over the next four years to restore its heavily loss-making north American operations to profitability.

The cuts are among the largest ever made by GM, exceeding its closure of 11 plants in 1986, and are much more severe than Wall Street had been expecting. The company said it hoped most of the cuts would come through attrition and early retirement.

But Mr Robert Stempel, GM's chairman, told employees: "We must take these actions to ensure the competitive health of GM." He hoped the cuts announced yesterday would achieve $5bn of savings by 1995.

The group is expected to post a loss of more than $2.5bn for 1991, with profits from its European motor operations and non-automotive businesses outweighed by losses of up to $7bn-$8bn in its North American automotive operations.

The cuts include the closure of six assembly plants, in addition to four already earmarked for closure. GM said it expected to use 100 per cent of its North American assembly facilities in 1993. Also scheduled for closure over the next four years are four plants making engines and transmissions and 11 making components.

Some 9,000 white-collar jobs are to go by the end of 1992, reducing that workforce to 82,000, with a further 11,000 cut over the next two years.

GM's hourly-paid workforce is expected to shrink by 15,000 by the end of next year from 304,000. By 1995 the company expects hourly paid workers to total 250,000 – about half the size of the 1985 workforce. Mr Stempel said capital spending would be reduced in 1992 and 1993, but no major product programmes had been cancelled.

All the big three US car companies are losing money in North America because of the prolonged recession and competition with Japanese rivals. Prices have been slashed to maintain market share.

GM, however, has been particularly poorly placed to cope with the downturn because of its failure in the 1980s to close plants as its car market share plunged from 47 per cent to 35 per cent. Many GM plants in North America are estimated to be running at about 60 per cent of capacity.

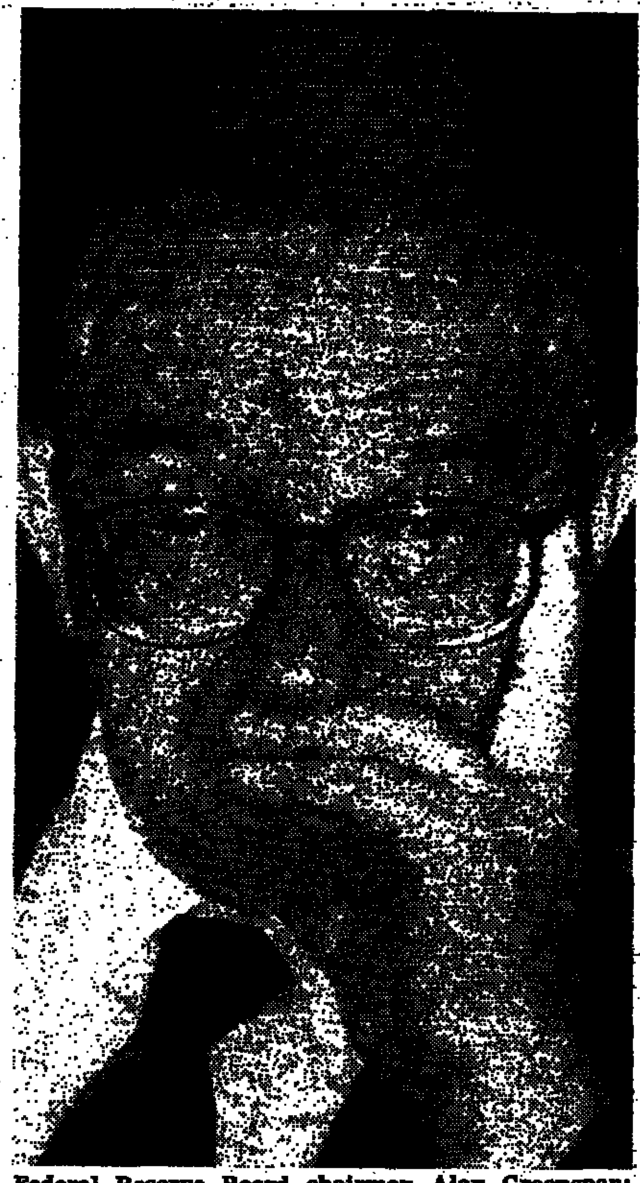
Yesterday's announcement represents a sharp change of strategy by Mr Stempel, who took over as chairman 16 months ago. He had been trying to reorganise GM more gradually using management techniques stressing co-operation with the workforce rather than confrontation.

The news is expected to produce a strong reaction from the United Autoworkers. The union's attack will be partly blunted by the fact that GM's contract guarantees employees nearly their full pay whether or not they are working.

The moves should be enthusiastically received on Wall Street, which has put strong pressure on GM to take drastic action. Its shares slipped ¼ to 27⅝ after the news.

GM is still weighing up the size of the special charge against earnings needed for the restructuring but it says this should be less than the $2.1bn after-tax charge it made in the third quarter of last year.

VW confident, Page 17



Federal Reserve Board chairman Alan Greenspan: against any move that would increase budget deficit

Greenspan says debt curbing recovery

By Michael Prowse in Washington

MR ALAN Greenspan, chairman of the US Federal Reserve, warned yesterday that the "huge increases in indebtedness" during the 1980s were "working against the normal forces of economic growth."

In a sombre assessment of the US economy, Mr Greenspan told Congressmen that the economic upturn had faltered because households and companies were still struggling to pay off their debts.

He also threw his weight behind Republican calls for lower taxes on capital gains, as a way of improving the long-term economic outlook, but urged Congress to avoid measures that would increase the budget deficit.

The boom of the 1980s had seen a vast accumulation of unneeded assets, especially commercial property, he said. The long-term, structural nature of the US's economic problems meant that attempts to provide a "quick fix" by cutting income taxes and raising borrowing were likely to prove counter-productive. The essential problem was a lack of savings and investment.

His remarks, delivered in his first congressional testimony since July, followed speculation in the US press that the Bush administration was considering an election year tax rebate of $300 for all taxpayers.

In a clear attempt to influence an intense debate in Washington, Mr Greenspan said he opposed any fiscal measures that would raise the federal budget deficit, which is expected to exceed $350bn this fiscal year. He urged Congress to focus on measures that would improve long-run growth prosepcts.

He said the collapse in consumer confidence signalled growing concern not just about the short-run outlook but about the US's ability to generate growth in the longer-term.

In what was seen by Democrats as partisan support for Republican proposals, Mr Greenspan said a cut in the capital gains tax rate was desirable and would probably be self-financing. It would provide a spur for investment, buoy property values and help relieve the pressures plaguing financial institutions.

He said the ideal capital gains tax rate would be zero, and expressed qualified support for tax subsidies for real estate, provided they applied only to existing structures, did not encourage further unnecessary construction and did not raise the deficit.

Mr Greenspan acknowledged that the economy was "struggling", but claimed a "healing process" was under way. Record issues of equity had helped reduce industrial indebtedness. Bonds were substituting for short-term debt. Lower interest rates had reduced debt-service burdens.

A wave of restructuring – evident yesterday in General Motors' announcement of sweeping plant closures – would enhance efficiency and competitiveness.

Despite his anxieties about the US's structural economic problems, Mr Greenspan declined to characterise the economy as still in recession. "We are seeing a pause" in an economy that is "in the process of recovering," he said in answer to questions after his prepared testimony.

He noted that cuts in interest rates were beginning to revive monetary growth. M1, the narrowest measure of money, was now growing at "double digit" rates. M2, a broader and closely followed measure, was now just inside the lower limit of its 2.5-6.5 per cent target range.

'Quick fix' spurned, Page 4
Wall Street report, Back Page, Section II

Black South Africans win role in legislation process

By Patti Waldmeir in Johannesburg

SOUTH AFRICA took an important step towards multi-racial power sharing yesterday when the government agreed to be bound by decisions on new legislation taken at multi-party talks which begin tomorrow in Johannesburg.

For the first time black South Africans, who have no vote at national level, will help draft key legislation.

The current tricameral parliament, which excludes blacks, will in effect rubber-stamp legislation drafted by about 20 political groups which form the Convention for a Democratic South Africa (Codesa).

Codesa, which meets tomorrow to begin negotiating a new constitution, includes delegations from the African National Congress (ANC) and the ruling National party, as well as the government itself, the mainly Zulu Inkatha Freedom party, the liberal Democratic party and parties from the so-called black "homelands", coloured and Indian political groups.

Both the ANC and the government will have an effective veto over the decisions of Codesa. This will ensure the government a large measure of control over the process, without which it would not have agreed to abide by Codesa's decisions.

The agreement that decisions at Codesa should be taken by "sufficient consensus" – defined as consensus sufficient to avoid a breakdown of the talks – means that no deals can be reached without the approval of both the ANC and the government, the two most powerful participants.

This could represent the first step towards an effective coalition between the two groups, which would to rule South Africa in the transition to a fully democratic government.

Initially, Codesa will limit its decisions to legislation needed to put in place a fully fledged interim government and a body to draw up a new constitution. This could also include legislation covering control over the security services and public media during an election campaign, and elections themselves. However, Codesa could progressively take over other legislative functions from parliament – though the ANC rejects this at present.

Yesterday's agreement allows for Codesa to draft legislation jointly with the current parliament, which alone can put it into law.

The agreement represents a concession by the government, which had insisted that such an arrangement would compromise the sovereignty of parliament. However, Pretoria's veto within Codesa represents a matching concession from the ANC.

Difficulties remained last night over Inkatha's participation in the talks, with the Zulu party insisting that the Zulu leader, King Goodwill Zwelethini, should head a separate delegation. He is likely to attend as an observer.

France forms electronics to nuclear energy giant

By William Dawkins in Paris

THE FRENCH government yesterday unveiled details of an ambitious plan to create an electronics to nuclear energy conglomerate in an attempt to match German and Japanese industrial power.

The company, Thomson CEA Industries, is to be formed in the first half of next year and will have a turnover of FFr90bn ($16.7bn). It is the first of three industrial reorganisations said to be in the pipeline – others being the state computer and aerospace industries.

The move, one of the biggest reshuffles of French state industry since the formation of Elf Aquitaine oil and gas group in 1976, is likely to invite a fresh clash with the European Commission. The Commission, frequently at odds with France on industrial and competition policy, will study the plan, an official said. It may have grave doubts about possible subsidies.

Mrs Edith Cresson, the prime minister, said the company would embrace the consumer electronics and semiconductor activities of the Thomson electronics group and the civil nuclear activities of the Commissariat à l'Energie Atomique (CEA). It would be majority-owned by the state, with minority stakes open to other industrial allies, she told parliament.

"This set-up resembles exactly what has been done by some of our big competitors. I am thinking in particular of Toshiba, which brings together the nuclear and electronics industries," said Mrs Cresson. The new structure has also been likened to Siemens, the German electronics and engineering conglomerate, by Mr Dominique Strauss-Kahn, the industry minister, who released outlines of the plan a few days earlier.

The project follows, though is not directly linked with, the watering down of proposals for a European industrial policy at this month's Maastricht summit, a source of disappointment for Paris.

The reorganisation will enable the profitable CEA Industrie – the CEA's industrial division – to support the lossmaking consumer electronics activities of Thomson. It could also contribute to the capital needs of SGS-Thomson, Thomson's chipmaking unit, which is jointly owned with

Continued on Page 18

Cresson's champions, Page 16

CONTENTS

China shows distrust for Hong Kong's Legislative Council

The Chinese government is accusing the UK of plotting with Martin Lee, Hong Kong's leading democracy campaigner, to alter the colony's political system in order to retain influence after 1997 **Page 3**

MARKETS

STERLING
New York lunchtime:
$1.828
London:
$1.825 (1.8205)
DM2.87 (2.8725)
FFr9.8125 (same)
SFr2.545 (2.5375)
Y234.5 (234.25)
£ Index 91.6 (91.4)

GOLD
New York Comex Feb
$ 360.8 (359.1)
London:
$357.95 (357.3)

N SEA OIL (Argus)
Brent 15-day
$18.15 (18.175)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.5725
FFr5.3715
SFr1.3935
Y128.35
London:
DM1.573 (1.578)
FFr5.3775 (5.39)
SFr1.394 (same)
Y128.45 (128.6)
Tokyo close:Y128.42

US lunchtime rates
Fed Funds: $4\frac{7}{16}$%
3-mo Treasury Bills: 4.233%
Long Bond: $102\frac{3}{32}$
yield: 7.753%

STOCK INDICES
FT-SE 100:
2,413.6 (-19.3)
FT-A All-Share:
1,157.33 (-0.7%)
FT-SE Eurotrack 100:
1,055.55 (-1.19)

New York lunchtime:
DJ Ind. Av.
2,894.45 (-7.83)
S&P Comp
382.02 (-0.72)
Tokyo: Nikkei
22,629.90 (-188.39)

LONDON MONEY
3-month Interbank:
$10\frac{7}{8}$% ($10\frac{7}{8}$%)
Life long gilt future:
Mar $96\frac{31}{32}$ ($96\frac{23}{32}$)

EUROPEAN NEWS

Brussels views 11th-hour HDTV proposal

By Andrew Hill in Brussels

AN 11th-hour compromise on the European strategy for high-definition television was tabled yesterday by the Dutch presidency of the EC.

Community telecommunications ministers were meeting last night in Brussels to try to reach agreement on HDTV standards before existing satellite television legislation expires on December 31.

The presidency has proposed relaxing the European Commission's latest draft of the new directive by allowing broadcasters to continue transmission of existing satellite television services in current non-HDTV standards.

Mr Filippo Maria Pandolfi, the EC telecommunications commissioner, supports the use of an intermediate satellite transmission standard, D2-Mac, which would lead eventually to a full high-definition norm, HD-Mac.

His amended draft would compel broadcasters to transmit existing programmes simultaneously in D2-Mac and ordinary standards from the beginning of 1995.

But the Dutch compromise reserves compulsory D2-Mac broadcasts for new services, a move which is unlikely to please electronics manufacturers, such as Philips of the Netherlands and Thomson of France, which have invested heavily in the intermediate technology.

The presidency text is also likely to meet with opposition from France, which appeared to have won Thomson's grudging support for the Commission draft only a fortnight ago.

However, the French could be overruled by a qualified majority of other Community countries.

The Dutch compromise also suggests an expiry date for the new legislation of 1998, rather than 1999.

Another directive could then be drafted taking into account developing technologies.

In addition, the compromise proposes divorcing all firm reference to EC finance from the directive on standards. Funding – which Mr Pandolfi has suggested could amount to Ecu1bn (£700m) over five years – would be dealt with in a separate directive subject to unanimous approval.

Mr Pandolfi still has the difficult task of persuading manufacturers and broadcasters to sign a legally-binding memorandum of understanding, which would commit them to a coherent HDTV strategy in parallel with the legislative approach.

● The Commission yesterday confirmed it had opened an inquiry into what could amount to DM1.8bn (£620m) of investment aid from the German authorities to three German car manufacturers which have taken over and are developing production plants in east Germany.

It is also going to look at DM2.9bn of aid granted as part of the sale of Jenoptik Carl Zeiss Jena by the Treuhandanstalt in June.

Paris 'blocking' Anglo-French transport merger

By David Buchan in Brussels

A LEADING French food transport company, Meledo, yesterday claimed the French government was putting it under unfair pressure to prevent it saving itself from liquidation by linking with TDG, a British transport company.

The allegations threaten to stoke the long-simmering Anglo-French dispute over the role of French state-owned concerns in cross-border mergers.

The European Commission recently told the British government it could not automatically conduct anti-trust investigations of bids by French state-owned companies for UK businesses, simply on the suspicion that access to cheap state finance distorted competition. But Community law clearly outlaws discrimination by one EC government against companies of another.

Mr Jean L'Haridon, president and owner of Meledo, France's second biggest cold storage transporter, alleged yesterday in Brussels that he was being unfairly deprived of control of his company in an attempt by publicly-controlled companies to create a state monopoly of France's fresh food distribution network and to keep TDG out of the market.

Meledo, which first experienced cash flow problems in 1990, has been under court administration for the past year. On December 3 a commercial tribunal in Brittany rejected Mr L'Haridon's plan to invite TDG to take a stake of 35 per cent, and possibly more, in Meledo, in favour of a French solution.

That would involve Meledo being taken over by Union des Transport Frigorifiques, which is backed by the Friedland financial group, which has big public-sector shareholders. The French government already controls TFE, the country's biggest cold storage transport company.

Mr L'Haridon has appealed in the French courts against the tribunal's ruling. But if he loses his national appeal, his lawyer, Mr Yves-Marie Moray, said the next step would be a complaint to Brussels against the government for allowing discrimination against a company of another EC nationality.

"Without some external political constraint on it, the tribunal would have clearly chosen our plan, which has the backing of independent experts," Mr Moray asserted.

● With 379 days left until all the barriers to the single EC market are due to come down on December 31 1992, the European Commission announced yesterday that more than 80 per cent of the 282 pieces of the single market legislation had been formally adopted, or given political approval, by EC governments.

Of the 50 proposals still pending, only 35 – related to the abolition of border controls – were vital to creating a frontier-free Europe.

Baker heads for final fraught stop of his tour

By Chrystia Freeland in Kiev

EVERY hour of US Secretary of State James Baker's visit to the Soviet Union has been marked by further moves toward the former superpower's collapse. Nowhere is this likely to be more apparent than in Kiev.

Mr Baker's meeting with leaders of the independence-minded Ukraine comes at the tail-end of a trip which began in Moscow and went on to Alma Ata, the capital of Kazakhstan, whose leaders gave the unwelcome news that they are reluctant to hand over their nuclear weapons to Russia.

There was little cheer from his stop-over in Belorussia, which tied elimination of nuclear weapons on its territory to international recognition of the former Soviet republic as an independent state.

Mr Stanislav Shushkevich, the Belorussian leader, said: "We have declared in clear-cut terms our attitude on nuclear weapons. Belorussia is going to be a nuclear-free zone and an independent state."

He added he was trying to convince Mr Baker that Belorussia was observing the five principles Washington had laid down as guidelines for recognising the independence of former Soviet republics.

Belorussia, with a population of about 10m, joined the other Slav republics of Russia and Ukraine on December 8 in announcing the formation of a Commonwealth of Independent States to replace the Soviet Union.

In the Ukraine Mr Baker is expected to assess how quickly and completely the republic wishes to pull the Soviet Union apart; Ukrainian leaders will want to know how soon and under what conditions the US plans to open the door to full recognition.

US officials suggest Mr Baker's main concern will be nuclear weapons. Ukraine is one of the four republics on which nuclear warheads are situated and Mr Baker is likely to demand assurances that the disintegration of the Soviet central government will not cause the collapse of central command structures over the weapons.

The official position of Ukraine, which still bears the scars of the Chernobyl nuclear accident, is that it should become a nuclear-free zone as soon as is technically possible. Mr Leonid Kravchuk, the republic's president, has said the US or international bodies are welcome to monitor the warheads' dismantling and has even appealed for help to fund the process.

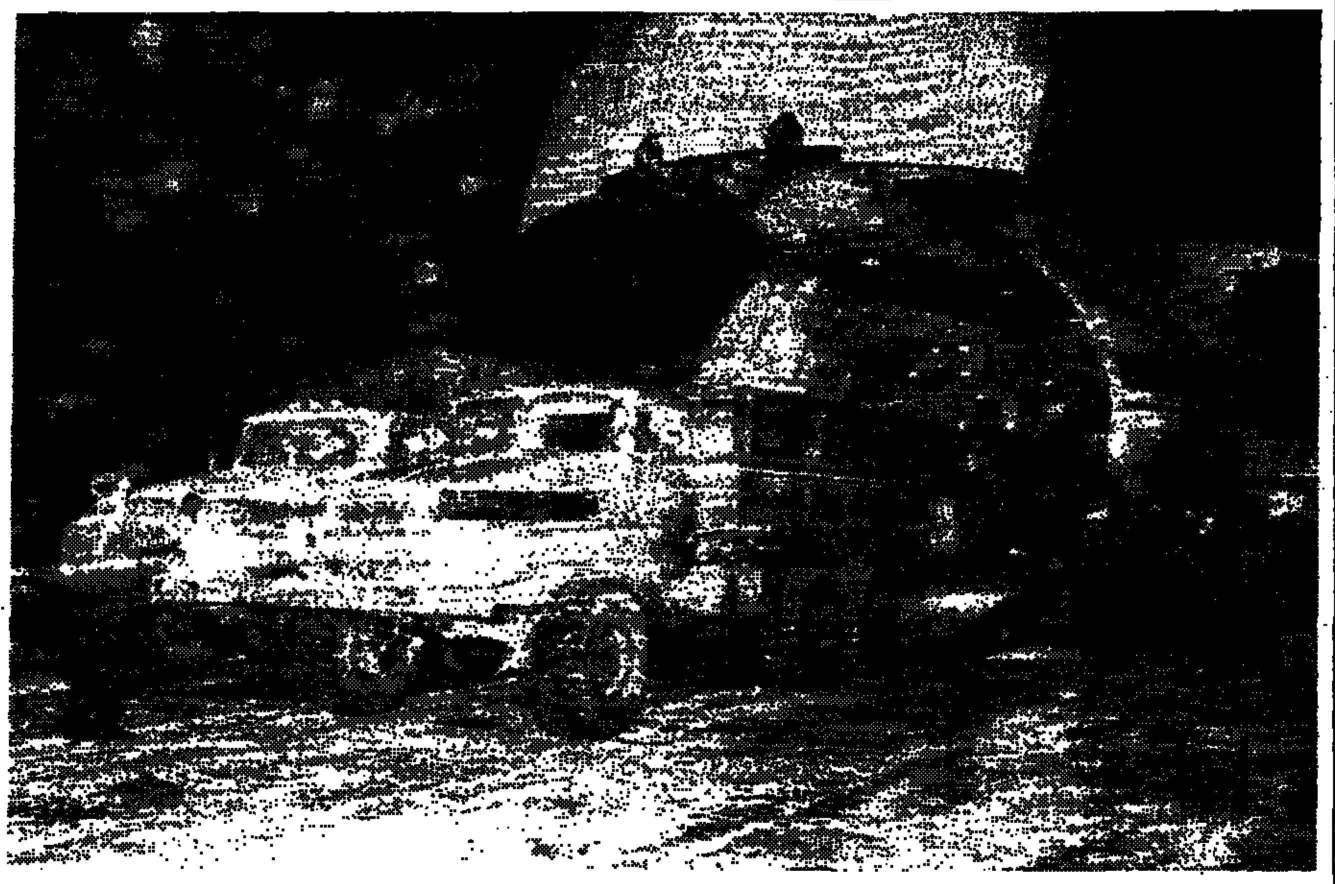
In the interim, Ukrainian officials say nuclear weapons should be kept under single command.

However, they would like the leaders of the four republics housing nuclear weapons to have joint political control. They also want veto powers over the use of the warheads stationed in Ukraine.

The US is also concerned about Ukraine's unswerving plan to create a national army. Since the failed Moscow coup in August Ukraine has decreed that all conventional Soviet forces located on Ukrainian territory should be under the direct control of the republican government.

Western diplomats have suggested that Mr Baker will urge Mr Kravchuk to abandon his plan to take over the 1.2m Soviet troops stationed in his republic. But Mr Kravchuk insisted earlier this week that conventional forces were an internal issue.

Mr Baker is also expected to ask for guarantees on human and minority rights, but this will be a largely symbolic measure as Ukraine had one of the best records in the Soviet Union.



American soldiers at Sheremetyevo airport, Moscow, unload a shipment of food and medicine from a US aircraft

UK details pre-war Baltic gold deposits

By Kenneth Gooding, Mining Correspondent

THE UK government yesterday detailed for the first time the amount of gold each of the Baltic states had on deposit at the Bank of England just before the Soviet occupation in July 1940. Of the 460,223 fine ounces (about 14.3 tonnes) on deposit at that time, 210,720 ounces were from Latvia, 154,755 ounces from Estonia and 94,748 ounces from Lithuania.

The gold was sold for £5.8m following the 1968 UK-Soviet agreement to repay some of the Baltic states' debts. The newly-independent states are now negotiating with the UK government for compensation.

However, Mr Douglas Hogg, the UK's foreign office minister, suggested that it was not possible to put an exact value on the gold.

"It is not possible to give an exact fineness of the gold as there were well over one thousand bars of possibly varying fineness," he says in a letter to Mr Robin Maxwell-Hyslop, a UK Member of Parliament.

The Bank of England does not believe enough records are left to enable a detailed list of the gold deposits to be compiled, he adds. But Mr Hogg went on to give details of the gold figures being used in the discussions between the UK and the Baltic governments.

Soviet secret service aims to stay intact

THE Soviet Union's structures may be in their death throes – but the Soviet intelligence service intends to remain fully centralised, writes Gillian Tett. Ms Tatyana Samolis, press secretary to the Soviet Central Intelligence Service (CIS) – the spruced up successor to the KGB's foreign intelligence service – said at the organisation's first news conference: "We believe the structures should be retained as a single unit. . . . along with nuclear forces, and the military."

"The leaders of the republics. . . and Mr Yeltsin . . . support us in that respect," she said, although she admitted that the service expected to receive the bulk of its funding and organisation from Russia.

Speculation about the present role of the Soviet intelligence agencies has continued apace ever since the KGB was disbanded in October after its discredited role in the August putsch. It was replaced with a series of republican security services and specialised all-union agencies, such as the CIS, devoted to foreign intelligence work.

Funds call for physics project

By Frances Williams in Geneva

ABOUT 200 of the world's top scientists and science administrators will be in Geneva today to hear plans for a new high-energy particle collider which could keep Europe in the forefront of particle physics research.

The European Particle Physics Laboratory (Cern) will present details of a SFr2bn (£760m) project for a large hadron collider (LHC) using superconducting magnets to collide sub-nuclear particles at higher energies than before.

While the LHC has the enthusiastic support among physicists, cash-strapped governments could prove harder to convince. But Britain, which nearly pulled out of Cern in 1987, is said by Cern officials to be supportive.

Polish MPs defy Walesa over premier

By Christopher Bobinski in Warsaw

THE Polish parliament yesterday defied President Lech Walesa by voting to support Prime Minister Jan Olszewski in his efforts to form the country's next government.

Mr Olszewski offered to resign on Tuesday after the president said he would not co-operate with a cabinet presented to him.

But deputies in the Sejm voted yesterday to reject the resignation by a margin of 214 to 132, with 73 abstaining. Among those voting in support of Mr Olszewski were the Christian democrat Centre Agreement and the nationalist right wing Christian Nationalist Alliance party. The PSL farmers' party also lent its support, for the first time.

Mr Olszewski said he decided to resign when he heard that the president had refused to co-operate with his cabinet. Mr Walesa later denied this but reiterated his view that Mr Olszewski's proposed cabinet would not resolve Poland's problems.

In a short speech to parliament before the vote, Mr Olszewski reminded the house that no government could succeed unless it had good links with the president. The premier is now likely to seek a working relationship with Mr Walesa.

Yesterday's vote showed the farming lobby has become a key component in the coalition backing Mr Olszewski, replacing the anti-communist KPN group, which abstained after failing to secure posts in the proposed government.

Should the premier overcome Mr Walesa's opposition, the new government is expected to follow anti-recessionary policies aimed at boosting exports and investment in domestic companies, at the risk of reigniting inflation.

● The Polish parliament has not approved the appointment of Ms Hamma Gronkiewicz-Waltz as head of the NBP, the central bank. She had been proposed by Mr Walesa.

Carrington cautious about recognition of Croatia

By Laura Silber in Belgrade

LORD CARRINGTON, chairman of the European Community-sponsored peace conference on Yugoslavia, said yesterday that Slovenia would have little difficulty meeting EC preconditions for recognition. He suggested, however, that Croatia's road to recognition would not be so straightforward.

After meeting the presidents of the two breakaway republics in Graz, Austria, he told journalists: "I don't see any problem with the recognition of Slovenia. . . . Slovenia does not have the problem of minorities which the other republics have."

In contrast, he was cautious about the timing of recognition for Croatia. Lord Carrington said that in his talks with Mr Franjo Tudjman, the Croatian president, "we talked about the lack of a ceasefire and the inability of the United Nations to recommend sending peace-keeping forces."

Lord Carrington then flew to Belgrade to meet Mr Slobodan Milosevic, the president of Serbia, and was expected today to hold talks with General Veljko Kadijevic, the federal defence minister.

Serbia has accused the Community of caving into German pressure to recognise Croatia and Slovenia. Mr Budimir Kosutic, the Serbian deputy prime minister, said yesterday his republic would not seek recognition from the EC.

The Serbian parliament is expected today to vote on the recognition of Krajina, a self-proclaimed Serbian autonomous region in southern Croatia. The current violence in Yugoslavia began in Krajina, culminating in June with Croatia's declaration of independence.

The United Nations will not deploy peace-keeping forces until a ceasefire holds. Croatian and Serbian media both reported clashes yesterday around Valpovo and Belisce, near Osijek in Croatia.

Belgium has agreed to host a European Community-sponsored peace conference on Yugoslavia, a Belgian foreign ministry spokesman said yesterday, Reuter reports from Brussels. He said Portugal, which takes over the six-month rotating EC presidency from the Netherlands on January 1, had asked that the conference, which until now has been held in The Hague, be transferred to Brussels "for practical and organisational reasons".

Slovene minister says federal army must be found a 'home'

By Judy Dempsey in Ljubljana

YUGOSLAVIA'S federal army must be placed under civilian control and found a "home", Slovene ministers warned yesterday against a background of mounting concern that the fighting may spread to the central republic of Bosnia-Hercegovina.

At the same time, Mr Janez Jansa, Slovenia's defence minister, was pessimistic about Croatia's ability to regain full control of its eastern region of Slavonia which is now under the control of Serb nationalists.

Mr Jansa said the recognition agreement reached by European Community foreign ministers made no provisions for placing the army under civilian control. "This is still a vast army. The republic of Serbia is not big enough to hold, or maintain, such an army. That is why the army might well turn its attention to Bosnia-Hercegovina," he said.

Although the army would be hard-pressed to hold down parts of territory already seized in Croatia, Mr Jansa said, Serbia was already re-settling Serbs in that region in order to consolidate its control. "The Croatian government does not have the ammunition or weapons to regain that territory," he added.

Mr Dimitrij Rupel, Slovenia's foreign minister, said the federal army was now "fighting for its survival. The generals know that they will be put on trial once the war is over. I think some form of amnesty, and guarantees for their financial security, should now be placed on the negotiating table," he said.

Meanwhile, under the terms of the EC agreement, the government in Ljubljana, the capital of Slovenia, is preparing to send a letter by December 23 to Mr Hans Van den Broek, president of the EC's council of ministers, asking to be recognised.

However, the coalition government, which is plagued by disputes over what economic reforms to implement, and corruption scandals, is virtually paralysed on one final article to the constitution which must be ready by that date. Right-wing deputies, led by Mr Lojze Peterle, the prime minister, are insisting that the right to abortion be excluded from the constitution.

NEWS IN BRIEF

Co-ops face easier cross-border links

THE European Commission yesterday proposed a European statute to allow co-operatives and other non-profit organisations to merge across EC borders without having to form themselves into regular public limited companies and to lose their specific status, writes David Buchan in Brussels.

Co-operatives account for 10 per cent of retail trade and 17 per cent of bank savings in the EC. About 40m families also place old age and sickness insurance with co-operatives.

The Commission says its proposal responds to pressure from the co-operatives themselves, which fear that in post-1992 Europe they will be less able than limited liability companies to link up across EC frontiers. However, a similar proposal, the European company statute, has been gathering dust on the Council of Ministers' table for years.

Spending targets cut by Dublin

The Irish government has cut I£600m ($1.1bn) from departmental spending targets in its 1992 budget estimates published yesterday, writes Tim Coone in Dublin.

Despite the cuts, total government spending will increase by 5 per cent next year to I£8.5bn, or about 1.5 per cent in real terms. Mr Bertie Ahern, finance minister, said the reductions were necessary to keep the exchequer borrowing requirement down to 2.5 per cent of gross national product in 1992, and to maintain a 1.5 per cent target in 1993.

The public sector wages bill is now scheduled to rise by I£237m, which is I£103m less than would have been necessary to fulfil pay awards agreed under the 1990 Programme for Economic and Social progress. Several civil service unions are balloting members this week on industrial action in an effort to force the government to meet the pay awards in full.

French industrial output up

French industrial production increased by 1.3 per cent in October, against September's figure, according to data published yesterday by Insée, the state statistics body, writes Alice Rawsthorn in Paris.

The rise in output reflects a strong performance from the energy sector, which benefited from unusually cold weather in October and boosted production by 4.3 per cent against the previous month.

Manufacturing industry turned in a more pedestrian performance with a gain of just 0.4 per cent. Output increases in the car and catering equipment sectors were relatively high.

Industrial production was stable in November, according to the latest study from Banque de France. This was due to continued slack domestic demand and the sluggish state of the international market. However, the bank predicted an improvement over winter, particularly in the car and food industries.

Finnish jobless rate at 12.1%

Finland's unemployment rate rose to 12.1 per cent in November, writes Robert Taylor in Stockholm. This latest sign of a worsening economy will add to the unpopularity of Mr Esko Aho's centre-right coalition government.

According to a poll published yesterday, nearly 68 per cent of Finns believe the government is doing very badly or badly. Only 27 per cent approve of the coalition.

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S Korea pushes for inspection in nuclear North

By John Ridding in Seoul

SOUTH KOREA'S president, Mr Roh Tae Woo, yesterday announced that there were no nuclear weapons in South Korea and urged North Korea to submit unconditionally to international inspection of its nuclear facilities.

Mr Roh's announcement, broadcast live on national television, means that all US nuclear warheads stationed in South Korea have been removed.

It represents an escalation in the diplomatic pressure on North Korea to agree to inspection of its nuclear facilities, which Seoul and the US believe are developing nuclear weapons.

"As I speak, there do not exist any nuclear weapons whatsoever, anywhere in the Republic of Korea," said Mr Roh. "There is now no reason, or excuse, for North Korea to develop nuclear weapons or refuse nuclear inspection."

South Korea and the US estimate that North Korea will be capable of producing a nuclear device by the middle of the decade. During a visit to Seoul last month, Mr Richard Cheney, US defence secretary, described North Korea's nuclear programme as the greatest threat to security in north-east Asia.

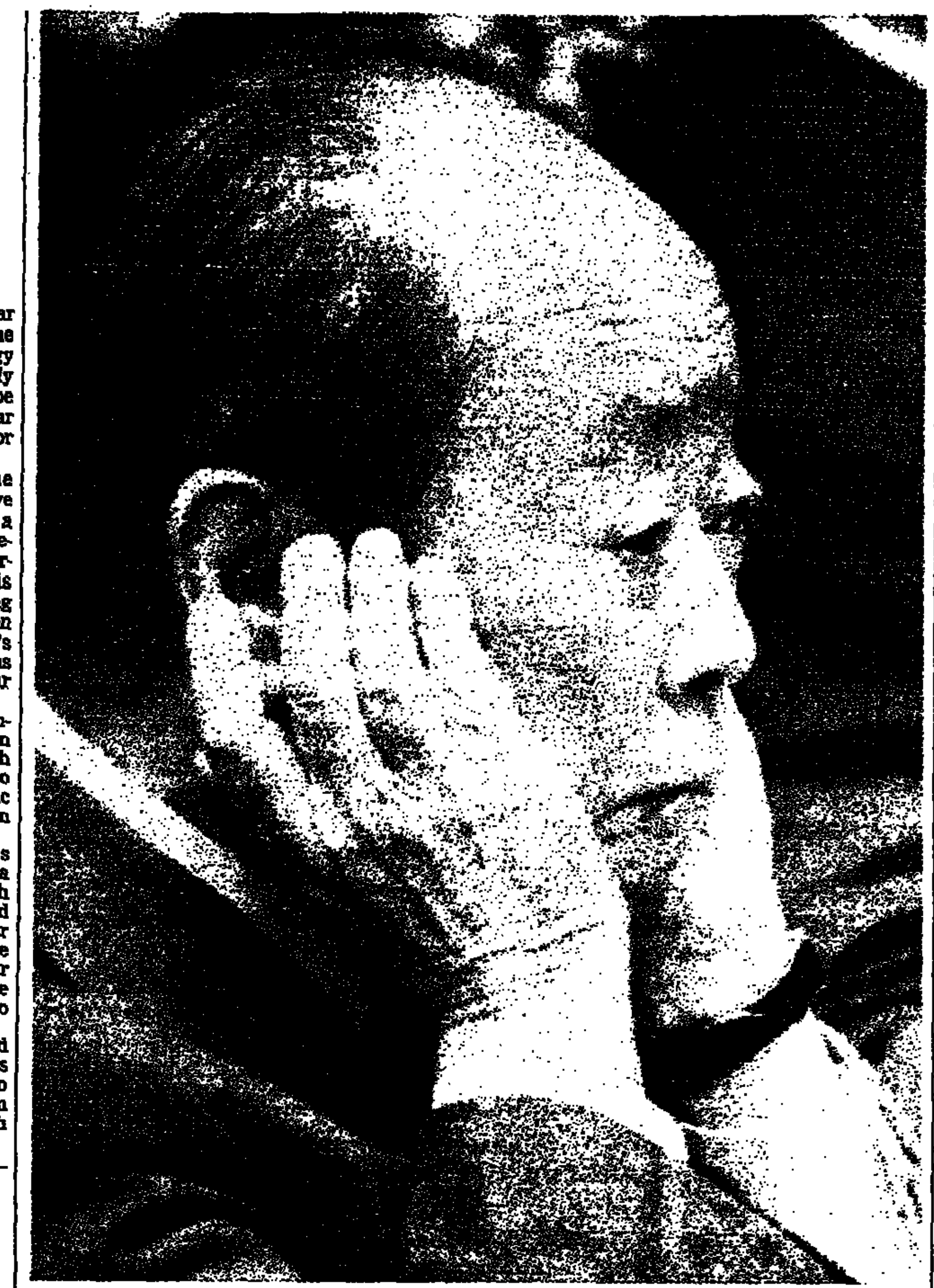
North Korea has consistently resisted international inspection of its nuclear facilities and has delayed signing a nuclear safeguards agreement with the International Atomic Energy Association. It has previously demanded that South Korea be removed from the US nuclear umbrella as a precondition for inspection of its facilities.

Announcements over the last few weeks, however, have suggested the possibility of a more flexible stance. A statement broadcast on North Korean state radio earlier this week indicated that Pyongyang might agree to joint inspection of its own and South Korea's facilities once the US confirms it has withdrawn its nuclear weapons from South Korea.

North Korea has also demonstrated greater flexibility in bilateral contacts with South Korea. Last week, the two countries reached an historic agreement on non-aggression and reconciliation.

Whether yesterday's announcement by South Korea will produce a breakthrough on nuclear inspection should become apparent in talks later this month. The two sides have agreed to discuss the nuclear question at the border village of Panmunjom, although no date has yet been set.

South Korea has proposed pilot, simultaneous inspections of nuclear facilities in the two countries including inspection of US military bases in South Korea.



Japanese premier Kiichi Miyazawa listens to a Diet debate on whether troops should be allowed to operate outside the country by joining UN peace-keeping forces

LDP allies upset by US pressure

Monopoly penalties irk Japan's industry

By Robert Thomson in Tokyo

JAPAN'S Fair Trade Commission (FTC) is under extreme pressure from the ruling Liberal Democratic party to water down proposals for tougher penalties for violations of the country's anti-monopoly laws.

Washington has demanded far tougher penalties to dissuade Japanese companies from forming cartels and excluding newcomers, particularly foreign companies, but LDP members fear that its industrial allies have been offended by the FTC proposals.

The FTC has apparently decided to raise the maximum penalty for violations from Y5m (£21,000) to Y300m (£1.28m) but Japanese companies, having already learned of the unofficial proposals, have applied pressure on the LDP, which is requesting that the fines be reduced.

FTC officials admitted yesterday that without the support of the LDP, the commission's proposals will not be translated into a new anti-monopoly law: "We have to get the understanding of the LDP and will need to make some adjustments."

A watering down of the penalties is likely to irritate Washington, which pushed for an overhaul of anti-monopoly legislation during the Structural Impediments Initiative (SII) talks last year, and still believes that the FTC's present proposals are not tough enough.

The FTC, which has become more vigilant since the conclusion of the SII pact, has come under criticism from Japanese executives, some of whom suggest that the commission is serving US interests and is hindering Japanese companies.

Singapore to privatise TV

SINGAPORE'S state television and radio monopoly is to be privatised, Mr George Yeo, the minister for information and arts, said yesterday, Reuter reports from Singapore. He said Cable News Network would begin operating the island's first pay-TV channel next April. CNN and BBC World Service Television had been competing for the slot.

Mr Yeo said privatisation within about two years would make Singapore Broadcasting more efficient but government TV and radio oversight would be kept. A statutory board would regulate broadcasting after privatisation and "pay attention to the structure of local and foreign ownership".

India to sell stakes in public ventures to fund budget deficit

By David Housego in New Delhi

THE Indian government is raising Rs25bn (£532m) to help fund its budget deficit through the sale of minority stakes in profitable public sector enterprises.

State-owned mutual funds and insurance corporations are expected to submit bids this weekend for up to 20 per cent stakes in 31 public-sector corporations. The "partial privatisation" will have no impact on the management of the companies.

The institutions are expected to hold the stock for some time before seeking a listing for the shares on the capital markets. The public would then be able to purchase them.

In the complicated procedure chosen by the Finance Ministry for the asset sale, the shares are being sold to the institutions in packets of about Rs22.5m. About 825 packets are on offer, each containing a mixture of shares including both the most appealing of the public sector companies and those less so.

Mutual funds and insurance companies have little option but to take up the shares – which they generally welcome as widening their share portfolio.

Among the state-owned companies offering a minority stake are Indian Petrochemicals Corporation, Steel Authority of India, Hindustan Machine Tools and Bharat Heavy Electricals. The government is divesting itself of between 5 and 20 per cent of shares – depending on the size of the company – in an exercise it hopes will raise substantially more than the Rs25bn estimated in the budget.

Mutual funds are mostly basing their bids on their estimates of the future earnings potential of the shares. But they admit that a good deal of guessing is involved.

While seeking to offload a minority stake in profitable enterprises, the government is also trying to close loss-making units. The Department of Public Enterprises has identified 58 chronically loss-making companies. Of these, 36 are beyond hope of revival.

Trades unions are resisting closures and cuts in the public sector workforce. They are to meet employers and the government in a tripartite meeting in Bombay on Saturday in an effort to achieve a compromise.

● Separatist guerrillas in Assam, a north-eastern state of India, have declared a ceasefire, bringing a temporary halt to fighting with Indian troops.

The United Liberation Front of Assam (ULFA) announced the ceasefire after releasing six hostages, including three employees of the state-owned Oil and Natural Gas Commission (ONGC). The insurgency had caused widespread disruption in the last two years to tea and oil production.

It was unclear yesterday whether ULFA's unconditional ceasefire was a tactical move or the sign of a genuine dialogue with the government. ULFA has in recent months been under tremendous pressure from the armed forces, who launched a big operation to end the insurgency.

Assam is one of three states where the Indian government faces separatist violence. In Kashmir and Punjab there is no sign of separatists abandoning their struggle.

Only US arm-twisting can bring Mideast talks to life

Roger Matthews explains why the negotiations became bogged down in a Washington corridor

THE PAST two weeks of talks in Washington have done nothing to persuade anyone not closely involved in the Middle East peace process that progress towards a solution is possible. But they have served a valuable purpose by helping to identify what will be required if the most contentious issues are ever to be addressed.

This was the first time that the US, having expended a huge diplomatic effort to bring the parties together in Madrid, sought to put some distance between itself and the mechanics of negotiation. The symbolism of an American presence was massive in that the negotiations were held in the State Department in Washington, but the US sought to avoid any more direct role. As US officials kept repeating: "The US cannot want peace more than the parties do themselves."

The result is all too obvious. The Israelis and Syrians sat across the table repeating their maximalist positions, while the Palestinians and the Israelis never advanced beyond the corridors. It is a measure of the influence the US now exerts in the Middle East that despite rising irritation among the delegations none walked away. But when there is no immediate US pressure or proposals focused directly on a point at issue, the delegations seem incapable of anything than the most modest concessions.

Nothing illustrates this better than the wrangling between Israelis and Palestinians over where to meet within the State Department. At Israel's insistence the Palestinians must not be overtly associated with the Palestine Liberation Organisation, cannot come from East Jerusalem which Israel has annexed, and attend the talks only as part of a joint delegation with Jordan. At the inaugural session of the peace process in Madrid the Palestinians spoke and behaved as a separate delegation and it was agreed that there would be a "twin-track" approach to subsequent negotiations between Israel and the joint Jordanian-Palestinian delegation.

For the Palestinians that meant two rooms at the State Department – one for the Israel-Jordan talks, the other for the negotiations between Israelis and Palestinians. Israel interpreted the agreement differently.

> Throughout the meetings last week some 70,000 Palestinians were shut in their homes by a curfew in the West Bank, and they included the families of five members of the Washington delegation.

It was prepared only to negotiate with a single joint delegation, in one room, although it left open the possibility of later establishing sub-committees to deal with particular issues. The Palestinians refused, as they put it, to be treated as a sub-committee. The Israelis countered that by treating the Palestinians as a separate delegation they would be prejudging the outcome of negotiations: in other words Israel feared that negotiating separately could be seen as the first step towards admitting the possibility of a Palestinian state.

In their eagerness to move on to substantive issues, some members of the Palestinian delegation might have conceded the Israeli demand. However they were checked by the deep anger felt by others, and perhaps by the PLO leadership in Tunis, at what was happening in the occupied territories.

Throughout the meetings last week some 70,000 Palestinians were shut in their homes by a curfew in the West Bank, and they included the families of five members of the Washington delegation. Simultaneously, extremist Israeli settlers took over the homes of five Palestinian families in an Arab quarter of Jerusalem and remained there under police protection.

Whatever the motivation behind those acts, the effect on the Palestinian delegation was immediate and emotional and provided another reminder of how easily events within the region can damage the prospects for negotiations.

In turn, this week's failure in Washington will strengthen the hands of those most opposed to the process. The Palestinian delegation needed to inject some pace into the negotiations and produce some hope of an improvement in living conditions in the occupied territories in order to bolster its own political standing.

However, those Israelis who do not believe that the result of negotiations and compromise could possibly be an improvement on the present situation will have been well pleased. For them another few weeks have been bought, bringing yet closer the suspension of the peace process caused by the run-up to next year's parliamentary election in Israel and the presidential race in the US.

President Bush and Mr James Baker, the secretary of state, should now be able to see even more clearly that the process they worked so hard to get started has no momentum of its own. Without dynamic American participation it is likely to remain stuck in the corridors of the State Department.

UK boosts funds for UN guards to help Kurds

By Mark Nicholson, Middle East Correspondent

BRITAIN yesterday said it would contribute $1m to support United Nations guards in northern Iraq as a UN official warned that the guards and all other UN programmes to help the Kurds may be forced to close for lack of funds.

Ms Lynda Chalker, the British minister for overseas development, said she hoped Britain's pledge of $1m, taking to $7m its overall contribution to the guards programme, would encourage other donors to keep the scheme alive.

However, Mr Michael Stopford, a UN envoy with responsibility for northern Iraq, told the Channel 4 programme Dispatches last night that without fresh funds within the next two weeks "the guards will be out and the UN programmes will be going out as well." He said the number of guards had already been reduced to 350 from 500 for lack of finance.

Negotiations break up without progress

By George Graham in Washington

THE Middle East peace talks in Washington ended yesterday without achieving substantial progress. Delegates agreed to resume talks on January 7 at a venue to be decided.

Israeli delegates met again yesterday morning at the State Department with representatives from the joint Palestinian-Jordanian delegation. Barring any last minute advance on the procedural stalemate that has dogged their discussions, the Israeli envoys appeared likely to leave Washington last night.

Meetings between Israel and the Palestinian-Jordanian delegation remained confined to a State Department corridor. The two sides have been unable to reach agreement on procedures to take their discussions into the rooms set aside for their negotiations.

Underlying the dispute is a symbolic struggle over the extent to which Israel is willing to recognise the Palestinians as a separate delegation.

But while the Arabs have urged the US to intervene to break the deadlock, the US has grown increasingly impatient with the reluctance of all parties to must work things out between themselves.

"We've been wrangling over the meeting size and rooms and tables and those kinds of things and we'd like to urge them to move on to the substantive issues," said Mr Marlin Fitzwater, the White House spokesman.

Separate negotiations between Israel and Syria and Israel and Lebanon have at least moved into the meeting rooms provided by the State Department, but no substantive progress has yet been announced.

Beijing fears Hong Kong's democrats

China distrusts the newly confident Legislative Council, reports **Angus Foster**

BRITAIN is plotting with Mr Martin Lee, Hong Kong's leading democracy campaigner, to alter the colony's system of government and retain British influence after 1997.

Thus runs the latest propaganda offensive from China's unofficial embassy in Hong Kong. The theory is slightly amusing since British and Hong Kong officials see Mr Lee as a trouble-maker rather than an ally.

China is worried by recent political changes in Hong Kong, largely stemming from the first direct elections of part of the Legislative Council in September. The 60 seat Council, which approves government bills and finances, used to be something of a rubber stamp.

But following the elections, when Mr Lee and 11 other members of his United Democrats political party swept to victory, the Council has a growing legitimacy. It is emerging as an important check on the government and as an independent voice prepared to stand up to its present, and future, colonial rulers.

China has never recognised the Council, even after the direct elections, except as a colonial advisory organ. China is more comfortable settling Hong Kong issues directly with Britain and greatly fears the emergence of an independent political body in Hong Kong. These fears intensified after the elections because pro-China candidates did poorly while Democrats like Mr Lee played prominent roles in support of China's democracy movement in 1989.

Martin Lee: a democrat

China's refusal to deal with the Council is troubling because according to the Basic Law, China's post 1997 constitution for Hong Kong, the Council has an important role to play in Hong Kong. Equally unsettling are occasional Chinese comments that "some people", generally assumed to refer to Mr Lee and the Democrats, have no role to play in Hong Kong after 1997.

The first major show of the Council's independence came this month when it overwhelmingly called for a Sino-British agreement on Hong Kong's proposed Court of Final Appeal to be renegotiated. Councillors said the court's structure, which limits the number of sitting overseas judges, impinges on judicial independence and standards.

British and Hong Kong officials insist the court cannot be renegotiated since China could then re-examine other agreements on the 1997 transfer. If Britain made unilateral changes to the court's structure, China is almost certain to reverse them after 1997 as a matter of principle.

Legislation on the court, which will replace the Privy Council in London, is likely to be brought to the Council next year and could well be passed, despite reservations. But fall-out from the argument has already set back Sino-British relations and will affect other important aspects of Hong Kong's future.

The main casualty is likely to be faster democracy for Hong Kong. Britain and China have agreed the number of directly elected seats will rise from 18 to 20 in the next elections in 1995. But Britain has also pledged to negotiate with China for more elected seats, probably in 1998.

Given China's distrust of the Council, she is now extremely unlikely to agree to increase further the number of democratically elected seats. Meanwhile, Britain's view that Hong Kong can remain stable despite democratisation has been damaged.

The work of the joint liaison group (JLG), which oversees details of the 1997 transfer, has also been threatened. Hong Kong hoped Mr John Major's China visit in September would free up the JLG, which had been stalled since 1989. After initial enthusiasm, progress at the latest JLG meeting was again slow and Britain now fears the momentum has been lost. Further wrangles over the court could prompt China to re-raise issues which had theoretically been solved.

The court is the first of several issues which will have to be agreed within the JLG before ratification by the Legislative Council. If the Council decides to question these agreements, Britain faces further embarrassment and Chinese scolding.

Any Sino-British agreements on the 1995 elections and the transfer of defence lands to China after 1997 will be controversial. For example, Britain hopes to redevelop an existing naval facility by moving it to an outlying island. But building the new base, which would be for Chinese use after 1997, would require funding approval from the increasingly assertive Council.

Many of these problems stem from Hong Kong's colonial system of government, which is fast being shown to be out of date. The Democrats' election victory prompted the formation of a broad alliance of conservative councillors, none directly elected, who are seeking to counter the Democrats. The alliance, known as the Co-operative Resources Centre (CRC), has more members than the Democrats but is less well organised.

Hong Kong has therefore quickly moved to a two party, confrontational political system even though its institutions are designed for rule by a mixture of compromise and colonial edict.

For the first time Hong Kong's unelected, civil service government cannot guarantee a majority in the Council. With councillors increasingly concerned about their political groupings rather than compromise, the government is in danger of being unable to pass controversial legislation such as that on the court of final appeal.

Meanwhile, China's suspicions of the Council are frustrating reforms which the political system needs to reflect Hong Kong's fledgling democracy and the moves towards accountable government.

The two camps within the Council are now battling over constitutional changes which the Democrats hope will allow the separation of the executive from the Legislature. The changes, which involve a formal committee system to scrutinise bills and monitor government policy, would lead to a more open system of government. They would be generally welcomed by the administration as a way to improve its links with the Council.

However, the plans are in jeopardy after China reacted angrily, claiming the changes would give more power to the Council, an accusation dismissed by Hong Kong. Members of the CRC have backtracked on an earlier agreement to set up the committees in a bid to frustrate the Democrats and appease China.

AMERICAN NEWS

Greenspan spurns 'quick fix'

By George Graham in Washington

MR ALAN Greenspan, chairman of the US Federal Reserve Board, yesterday put to Congress a strong plea to concentrate on the long-term structural weaknesses of the US economy, rather than seek a "quick fix" tax boost to consumer spending.

The chairman warned of a crisis in consumer confidence, rooted in a wide concern about the country's long-term future. Worries about whether the current generation will live as well as previous ones had lain submerged as long as the recovery continued, but have now resurfaced.

He singled out the soaring federal budget deficit as one of the core problems of the US economy and a "significant factor" in keeping long-term interest rates high. "Above all, we must not lose sight of the crucial need to eliminate the structural deficit in the federal budget over the coming years."

Mr Greenspan said that the economy was struggling to recover from recession, but that it faced underlying forces that were at work long before the recession began in the autumn of 1990.

"The upturn in business activity that began earlier this year clearly has faltered. It is apparent that the economy is struggling and that there have been some strong forces working against moderate cyclical revival," he told a meeting of the House of Representatives Ways and Means Committee, which has been investigating proposals for tax measures to stimulate the economy.

Mr Greenspan argued that the overhang of debt from the 1980s had placed a great burden on the economy as it battled the cyclical recession.

"In the business sector, the most obvious example is that of commercial real estate, with the accumulation of vast amounts of office and other commercial space – space that goes well beyond the plausible needs in most locales well into the future.

"Our financial intermediaries – not just depository institutions but other lenders as well – lavished credit on developers, and they are paying the price today in the form of loan losses and impaired capital positions," he said.

Companies, too, accumulated excessive debt in the 1980s with leveraged buy-outs and mergers, Mr Greenspan said, while households borrowed heavily to finance the purchase of cars, consumer durables and homes, causing "a considerable degree of financial stress in the household sector."

"The bottom line of this brief account is that the national balance sheet has been severely stretched. While most analysts, of course, were aware of the increasingly disturbing trends of rising debt and elevated corporate leverage, it was not clear that these burdens had as yet reached a magnitude that would restrain the American economy from a moderate cyclical recovery in 1991," he said.

"By late-summer, however, with half the recession losses recovered, it became clear that the cumulative upward momentum that characterised previous recoveries was absent. The growing propensity of households to pare debt and businesses to reduce leverage was a signal that the balance sheet restraints, feared by many for a long time, had indeed taken hold, working against the normal forces of economic growth."

Mr Greenspan said interest rate cuts could help the debt problem by easing debt service burdens, but this gain would only prove lasting if achieved in the context of "prudent, non-inflationary expansion of money and credit."

In concept, tax cuts for individuals or companies could also help, if they were saved, the Fed chairman said, but this would be offset if the weakening of federal budget discipline they implied drove long-term interest rates higher.

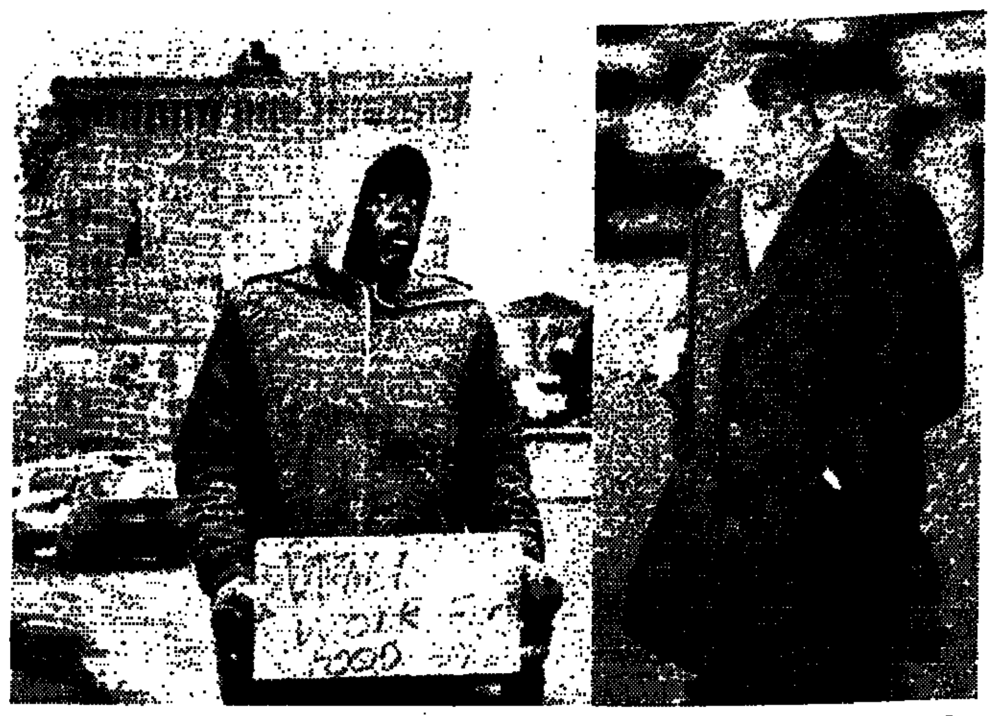
"The Congress should approach with great caution any proposal that would expand the structural budget deficit. At a minimum, care should be taken to ensure that any short-run stimulative action does not imply a widening of the deficit over the longer term," Mr Greenspan said.

He said consumers appeared to be more apprehensive than the macro-economic circumstances warranted. The lay-off rate was well below the level experienced in periods of economic weakness, yet consumers are deeply worried about losing their jobs.

He urged Congress to address these worries about a slowdown in long-term growth and living standards by focussing on key fundamentals. "Firm reliance on policies directed toward longer-term stability and incentives are likely to do as much, or more, for short-term economic expansion as a 'quick fix,'" he said.

Mr Greenspan advocated tax policies that encouraged savings and investment. He said he favoured eliminating capital gains tax, which he viewed as "an exceedingly inappropriate way to raise revenue," and urged a shift in the structure of corporate taxation, which is distorted in favour of debt rather than equity.

"The most important thing the Congress can do is to endeavour to enhance productivity," he said.



Jerry Brown, in front of the General Motors headquarters in Detroit, holds a sign saying he will work for food. George Bush, at the White House, keeps his head down

Nicaragua deal points to more debt relief

By Stephen Fidler, Latin America Editor

GOVERNMENT creditors have agreed a debt-forgiveness deal for Nicaragua that opens the way for more generosity on the debts of the poorest countries.

The accord, by the Paris Club of creditor governments, will wipe out half the $735m due for repayment in the 18 months to March 1993. The rest will be rescheduled over 23 years. Three years hence, the creditors also agreed, the entire stock of Nicaraguan debt to governments will be considered. This amounted, at end-1990, to $5.7bn of its total $10.5bn external debt, according to the World Bank.

However, the US and Australia have declined to offer debt relief, agreeing only to a rescheduling over 25 years.

The concessions were welcomed by the Nicaraguan government and others, including the UK government, which can claim some credit for winning more generous debt relief. Apart from Poland and Egypt, both of which had their Paris Club debts halved under a US-sponsored initiative, the most generous debt treatment had been the cancellation of a third of the Paris Club debts falling due in any one year.

Even so, the new concessions fall well short of the concessions proposed last year – the Trinidad terms – by Mr John Major, now UK prime minister, when chancellor of the exchequer. The World Development Movement, a UK pressure group, yesterday criticised the UK for allowing the proposals to be "emasculated".

The Trinidad terms were aimed at immediate reduction of the entire stock of debt, not selected maturities. They called for two-thirds debt forgiveness rather than one-half, and they were meant to be universally applied.

The agreement implies that the US has lifted its veto on the provision of more generous debt relief to the poorest countries, even if it has declined to grant such relief. Debt write-offs result in an immediate cost on the creditor's national budget.

Menem's promise to visit UK surprises embassy

By John Barham in Buenos Aires

PRESIDENT Carlos Menem of Argentina said yesterday he would visit Britain in 1992, the 10th anniversary of Argentina's defeat in the Falklands conflict with Britain. Mr Menem said his visit would be an act of reconciliation between the two counties.

In an interview with the Financial Times, Mr Menem said: "Take it for granted that, in 1992, I will visit the United Kingdom." He said he wanted to encourage British trade and investment in Argentina. He added that he hoped to sign an accord with London to regulate oil exploration in the South Atlantic.

However, the British embassy in Buenos Aires reacted coolly to Mr Menem's statement. An official said: "We have received no formal request, or even informal soundings on a visit. Normally these visits are planned a good year in advance."

He added that 1992 would be a "sensitive" year – not only will Britain be commemorating the Falklands conflict, but it will also be a general election year in Britain, with the Conservative party trying to stay in government.

Britain and Argentina resumed full diplomatic relations only last year. Since then, relations have improved with fishery, defence and flight accords regarding the Falklands and interest by UK companies in Argentina's privatisation plan. The first bilateral talks on oil exploration began in London this month.

Massacre in Colombia over land

TWENTY members of the Paez tribe in south-western Colombia, who were trying to have their occupation of land legally recognised, were taken from their homes and murdered late on Monday, Sarita Kendall writes from Bogotá.

Their houses were then burned down. Four children were among the dead. Some 20 more people escaped when they heard the first shots.

Four years ago, a group of Paez settled the land, apparently with the agreement of the owner, and they were trying to get legal ownership through Colombia's Agrarian Reform Institute. However, both tribal leaders and the police say drug traffickers are buying land in the area to grow opium poppies.

The government has promised a full investigation. Dozens of tribal people have died in confrontations over land in the region in recent years.

Bush signs job-creating transport bill

PRESIDENT George Bush yesterday signed into law a six-year, $151bn transport bill expected to give an immediate fillip to the flagging US economy by injecting new money into road construction, George Graham reports from Washington.

The bill had a hard-fought passage through Congress. At one point, it appeared to be blocked by controversial attempts in the House of Representatives to increase petrol taxes so as to pay for an expansion in the bill's scope.

However, there emerged what Mr Samuel Skinner, who was Transportation Secretary before he moved this week to the White House as the new chief of staff, called a "constructive compromise".

The bill will allot $119bn of federal money to road construction over six years, and $31.5bn to mass transit. But states will have an unusual degree of scope to shift money from road building to mass transit.

Sponsors of the bill said it would create 1.1m new jobs and preserve perhaps 1m more, by allowing states to press ahead with road construction.

"It will be a tremendous boost to Texas. We estimate that, over the six-year life of this bill, it will create 34,000 jobs each year," said Mr Arnold Oliver, executive director of the Texas transportation department.

"More immediately, in January, we should see an impact of 2,000 new jobs and possibly about 1,800 in February," he added.

Net inflow of funds for Latin America

LATIN America in 1991 received, for the first time in a decade, a positive net financial transfer of $7bn, according to the UN Economic Commission for Latin America and the Caribbean (ECLAC), writes Leslie Crawford in Santiago.

ECLAC, based in Santiago, estimates that net capital inflows doubled in 1991 to $36bn, while interest payments and profit remittances fell from more than $34bn last year to $29bn.

ECLAC provides various reasons for the change: Privatisations have attracted direct foreign investment; some countries – such as Mexico, Venezuela and Chile – have placed government bonds on international markets; Latin Americans are repatriating capital sent abroad in the 1980s; a fall in international interest rates has reduced the region's debt-service costs.

The commision notes, however, that the flow of foreign capital was concentrated in only a few countries. Mexico accounted for $20bn of the region's $36bn of net capital inflows. Argentina had $5bn, partly through interest arrears on its $61bn foreign debt (reckoned as inflow), and partly from returned flight capital. Venezuela turned a net capital outflow of $4.6bn in 1990 into an inflow of $2bn this year.

ECLAC's preliminary report on Latin America and the Caribbean's economic performance in 1991 estimates that the region grew by 3 per cent this year.

Chile halts arms exports

THE Chilean government has halted all arms exports, following the discovery of an illegal sale of Chilean army rockets and rifles to Croatia in violation of the UN arms embargo against Yugoslavia's warring parties, our Santiago correspondent reports.

The operation was foiled by police in Budapest this month. They seized 11 tonnes of Chilean weapons, marked "humanitarian aid" and heading for the Hungary-Croatia border.

WORLD TRADE NEWS

Paris quick to oppose Gatt conclusions

By William Dullforce in Geneva

FRANCE yesterday condemned the results of the Uruguay Round trade talks before they had been published. Prime Minister Edith Cresson told a cabinet meeting that France would oppose a "text" put forward by Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt).

The text supported American views "without any regard for European interests, whether in agriculture or other fields", Mrs Cresson said, according to Mr Jack Lang, the government spokesman.

In Geneva, the Gatt secretariat issued a "clarification", pointing out that no draft text of the final act of the Round existed.

The text would be made available tomorrow.

France's premature rejection came as US Agriculture Secretary Edward Madigan and EC Farm Commissioner Ray MacSharry met in Brussels for a last-minute effort to bridge EC-US differences over farm subsidies.

Both EC and US officials reported that their opening discussion had gone badly but that the ministers were continuing to talk. It was now evident that hope of completing the Round rested with Mr Dunkel, one official said. Tomorrow the Gatt chief will table a take-it-or-leave-it agreement on agriculture together with accords on all the other subjects under negotiation.

A deal on reductions in farm subsidies is needed to prevent the failure of the Round. French ministers have publicly objected to the concessions that Mr MacSharry has been proposing during the past five weeks when EC and US farm negotiators have been seeking compromises but it had been hoped that the French would refrain from rejecting the overall outcome of the Round until it could be assessed by EC trade and foreign ministers in Brussels on Monday.

Paris's declaration was a stab in the back of EC negotiators who have been trying to find compromises in tense final discussions, one trade diplomat said. But, he added, the declaration could have been deliberate.

At any rate it foreshadows a heated internal EC debate over the weekend.

At the French cabinet meeting other ministers as well as Mrs Cresson voiced strong opposition to the expected results of the trade talks, according to Mr Lang.

Mr Lang said France disagreed with agreements seen in areas other than agriculture such as intellectual property and audio-visual rights. Faced with these proposals "we can only reply with a single word: No," he added.

Prime Minister Cresson and President Mitterrand yesterday

US wakes up to a world of impediments

FOR the exhausted international trade negotiators trying to wring a worthwhile agreement out of the Uruguay Round, there is depressing news: even the best possible agreement will leave all but the most blatant barriers untouched.

It is beginning to dawn on US negotiators – long the most aggressive advocates of the Round, and those with the most specific targets in mind – that it will address few of their country's trading problems, according to the Royal Institute of International Affairs' Stephen Woolcock in his provocative new book on US-European trade relations*.

Behind the tariff and non-tariff barriers which have been the target of US assault – and which may be eroded by agreement in Geneva – there lie other obstacles to market access which the negotiations of the past five years have failed not only to address, but even to recognise.

Here is a world of "structural impediments", says Mr Woolcock.

These are familiar to US manufacturers frustrated in their efforts to penetrate the Japanese market, but few people seem to realise that they also lie at the heart of trade problems with Europe.

This might count for little if the US could dictate to Europe the terms of world trade. But as Europe has moved towards a single market, it has become more powerful. It now accounts for 33 per cent of world trade.

At a fundamental level this changing balance of global trading power undermines the ability of the US to define the terms of world trade – as it has done reasonably successfully for 40 years. The debate over structural impediments is becoming a competition among three rival spheres of global trading influence.

Europe, as much as Japan, is beginning to present a systemic challenge to the US, and it is by no means clear that the US system is the superior one.

Mr Woolcock traces "the ebbing tide of tariff protection [which] revealed first the reefs of non-tariff barriers, then the rocks of regulatory barriers, and finally the diverse contours of the bedrock of structural impediments to market access".

He argues that the core principles of the General Agreement on Tariffs and Trade "are no longer seen as adequate" for liberalising world trade.

By examining divergent attitudes in the US and the European Community to four difficult areas of trade – financial services, foreign investment, public procurement and technical standards – he pinpoints differences that go to the core of these regions' regulatory structure.

They could not be resolved without root-and-branch changes that in some cases will contradict fundamental government beliefs.

Market interpenetration and interdependence are now so great that issues are becoming impossible to ignore. In 1990, the EC received 28 per cent of US exports; the US took 18 per cent of EC exports.

Mr Woolcock argues that such figures also debunk the US political rhetoric that suggests that the world is breaking into trading blocs.

The fact is, however, that the US system, more dependent on statutory protection, and less on structural or regulatory obstacles, is levered open more quickly as a result of the kind of multilateral reforms achieved through successive Gatt trade negotiating rounds.

Mr Woolcock concludes: Whatever the outcome of the Uruguay Round, there will be a need to continue to work on agreed definitions if each player is not to determine unilaterally what equivalent competitive access is, and what should be done if it is not provided by a trading partner.

David Dodwell

*STEPHEN WOOLCOCK: *Market Access Issues in EC-US Relations: Trading Partners or Trading Blows? Chatham House Papers, Royal Institute of International Affairs, London.*

Emirates airline to buy Boeing

By Daniel Green

EMIRATES, the United Arab Emirates state airline, yesterday ended months of speculation over its planned expansion by signing a letter of intent to spend up to $2bn (£1.1bn) on US-built Boeing 777 aircraft.

The decision comes at the end of nearly two years of evaluating the European Airbus A330 and A340 and the US-made McDonnell Douglas MD-11 as well as the Boeing.

The order is a blow to Airbus Industrie, the European four-nation consortium. The company had high hopes for a sale because Emirates operates a fleet of six Airbus A300/A310 wide-bodied aircraft and is due to take delivery of seven more in the next 18 months.

Seven Boeings are on firm order with an option for another seven. Deliveries are due to begin in 1996, with options to run from 1998.

The choice of engine to be fitted will be made within days, the airline said.

Mercosul plan for arbitration

MERCOSUL, the four-member South American Common Market, is to create an arbitration tribunal whose decisions will be binding on member countries, John Barham reports from Buenos Aires.

The presidents and foreign and economic ministers of Argentina, Brazil, Paraguay and Uruguay met in Brasília on Tuesday, their first encounter since signing in March the Treaty of Asunción that created Mercosul.

Mr Félix Peña an Argentine negotiator, said yesterday the summit gave integration a vital political backing at a time when growing economic disarray in Brazil cast doubts on the the creation of a free trade zone by January 1995.

The tribunal will operate on an ad hoc basis to settle disputes that governments have been unable to settle bilaterally. Brazil's three partners are unhappy over covert subsidies.

EC stance discriminates among developing nations

By William Dullforce

THE European Community said yesterday that, in implementing the results of the Uruguay Round trade talks, it would no longer recognise Hong Kong, Singapore and South Korea as developing countries.

Brussels' move against these Newly-Industrialised Countries (NICs) came amid last-minute activity by delegations to influence the terms of the draft agreements that Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), will table on Friday.

Earlier, a group of 20 Latin American, Asian, African and European countries had aroused the ire of EC negotiators by demanding that a proposal on "quota modulation" be deleted from the text of an agreement on safeguards – the restrictions on imports which governments can impose when domestic producers are hit by a surge of imports.

The EC has been trying to maintain the right to apply restrictions selectively against offending traders instead of imposing them on all exporters without discrimination as required by Gatt rules. "Quota modulation" is a euphemism for a provision in the new safeguards agreement that would allow governments to treat some suppliers more generously than others.

Exporting countries say this provision would allow the EC to cut the import quotas of selected suppliers by up to 30 per cent during the 10-year period envisaged in a Uruguay Round agreement for phasing out the Multi-Fibre Arrangement which governs trade in textiles and clothing.

Hong Kong, Singapore and South Korea signed the note calling for the deletion of the "quota modulation" clause. Other signatories were Japan and Switzerland.

EC officials said the EC Commission could not give up entirely the ability to take selective safeguard action on which its industrialists were insisting at the same time as it faced a confrontation with Community farmers because of the concessions it would have to make on agriculture.

However, after excluding the three NICs, the EC would be able to take greater care of developing countries' interests when applying safeguard, anti-dumping or countervailing measures against heavily subsidised imports.

US issues challenge to open telecom markets

By William Dullforce

THE US yesterday challenged Europe, Japan and other countries with big economies to open their telecommunications markets to foreign competition within the next four years.

In an important move aimed at breaking the impasse over telecommunications in the Uruguay Round trade talks, Washington changed its previous refusal to extend Gatt's most-favoured-nation (MFN) rule to international and domestic long-distance telecommunications services.

But the US made its offer conditional on other countries' meeting a list of liberalisation commitments within three years of the entry into force of a new General Agreement on Trade in Services (Gats), or by January 1996 at the latest.

Under the MFN rule a country must extend trade benefits granted to another country to all Gatt members without discrimination. The US has resisted other countries' demand that MFN be applied to all services because AT&T and other big operators complained this would mean locking in the present high degree of openness of US telecommunications without assuring them of access to the EC and other markets.

Other countries could maintain their present post, telephone and telegraph monopolies and avoid the obligation to negotiate access for foreign competitors under Gats without breaking the MFN rule.

Now the US has declared its readiness to accept the basic MFN principle. It would apply a derogation for basic long-distance telephone services but only until other countries with "major telecommunications markets" had undertaken:

- not to limit the number of competitors allowed to participate in basic services;
- to allow foreigners to provide basic long-distance services by building their own networks and through the sale of services on existing networks;
- to permit foreign investment in basic services;
- to offer new providers non-discriminatory and cost-based access to basic telecommunications;
- to establish fair and transparent regulatory procedures administered by an independent institution.

مكرر من الأصل

EUROPEAN DEBATE

Party leaders clash in row over Maastricht

By Philip Stephens, Political Editor

A *STRIDENT* attack by Mr Neil Kinnock, the Labour leader, on the prime minister's handling of the Maastricht summit last night provoked a furious row at Westminster as the opposition party returned to the political offensive.

In an unusually confident speech to the House of Commons, which prompted an extraordinary series of interventions from the prime minister and Cabinet colleagues, Mr Kinnock accused the government of turning Britain into a "downmarket economy on the fringe of Europe".

Government ministers repeatedly accused the Labour leader of not understanding the treaties agreed at the summit, but the judgment at Westminster was that Mr Kinnock had emerged a narrow winner *from the increasingly bitter* exchanges.

His attack came after Mr John Major had declared at the start of a two-day Commons debate on the outcome of the summit that the deal he had negotiated would give Britain a competitive advantage over its 11 European Community partners.

The prime minister said that to have accepted the deal with which he was originally presented would have risked a return to the "corporatism" of the 1960s and 1970s the imposition of laws which neither employees or employers wanted.

Mr Kinnock's onslaught focused on the optional "opt-out" won by Mr Major from plans for a single European currency and on his rejection of EC-wide standards for working conditions.

As both government and opposition prepared for a brief Christmas respite in their general election campaigning, it provided a graphic preview of what promises to be the most bitter political struggle since 1979.

With both sides swapping insults, Mr Kinnock said that the "opt-outs" from economic and monetary union and from the social chapter of the treaties were the "danegeld" paid to secure Mrs Margaret Thatcher's support.

After a week in which Mr Major has basked in the applause of his own party for his performance at Maastricht – and has effectively isolated the handful of Conservative Euro-sceptics who opposed any *deal – Mr Kinnock made clear* that his rejection of the social chapter would be an key element in Labour's election campaign.

He said that the government was insisting that the British economy depended on resisting decent minimum conditions and employment rights for workers.

He added that by not committing Britain to a single currency the government had severely damaged the future of London's financial markets.

Mr Major, however, stuck firmly to his claim that the social chapter attached by the 11 as a protocol to the treaty would have restored the powers of trades unions and destroyed jobs by imposing damaging costs on British industry.

Industrial investment predicted to increase

By Rachel Johnson, Economics Staff

MANUFACTURERS' investment plans, which stagnated between 1989 and 1990 and fell sharply this year, are surprisingly bullish about next year and 1993, a government survey revealed yesterday.

The autumn survey by the Central Statistical Office (CSO) on manufacturing industries showed that the volume of spending next year is expected to rise by 2 per cent compared with this year and by "quite a lot more" in 1993 compared with 1992.

This will encourage the Treasury at a time when its forecasts for consumer expenditure – a year-on-year rise of 2½ per cent in 1992 – have come under fire for being over-optimistic.

As companies continue to work below capacity, a fall of up to 20 per cent in spending volumes is expected this year – even though the government has projected that output will rise by ¾ per cent between the first and second halves of 1991.

The rise next year – to be *led by higher spending in the* chemicals and process industries – compares positively with most previous projections. The National Institute of Economics and Social Research, for example, predicted in November that manufacturers' spending would "fall by 6 per cent or so in 1992."

The CSO result is also more optimistic than the latest projection by the Confederation of British Industry. The CSO survey expects spending volumes to rise to a projected £10.5bn in 1992, after £10.3bn in 1991 (fourth quarter projection) and £12.1bn in 1990.

Kvaerner keeps Scottish shipyard afloat

James Buxton on the transformation of the Govan yard by its Norwegian owners

KVAERNER Govan's success in winning orders worth more than £200m for four chemical carriers sets the seal on a remarkable transformation wrought on the Clyde by the yard's Norwegian owners.

Kvaerner, which took over *the yard from British Ship*builders in 1988, has converted it from making normal cargo ships to producing specialised gas and chemical carriers, and *raised* output by 40 per cent.

Yet even now, despite an investment of £30m in the Glasgow yard, Govan's survival is still dependent on the 13 per cent subsidy which the government is authorised by the EC to make on shipbuilding contracts placed with designated yards.

Furthermore, any profits which Kvaerner makes on its contracts are subject to claw-back by the Treasury. "This yard is guaranteed not to make a profit," Mr Steinar Draegebo, *Kvaerner Govan's* managing director, said recently. Its owners will have to be content with break-even on shipbuilding until the current order book *is completed in* 1995.

Kvaerner bought the yard for £7m because building ships in Norway was too expensive, and Britain, being in the EC, *offered subsidies – then run*ning at 28 per cent. Kvaerner attracted new orders: it is now working on the last two of four liquefied petroleum gas tankers, three of which are for a Kvaerner subsidiary and one for another Norwegian owner.

Yet, as Mr Draegebo has said, "The yard was hopelessly unproductive when Kvaerner took over. The first gas tanker we built took twice as many man-hours as it would have taken in a Scandinavian yard." Kvaerner executives also admit *they have faced problems* in persuading the Govan workforce not always to do jobs to the most elaborate standards.

To improve the workforce's *productivity Kvaerner has* gradually whittled away restrictive practices and trade demarcations. Last year the number of shop stewards was reduced from 70 to 20.

In May this year management won a vital confrontation with the workforce. Mr Draegebo sacked all 1,600 manual workers after they voted narrowly to go on strike over a 21-month pay agreement incorporating new shift patterns. The men were re-engaged and not only accepted the manage*ment's terms* but agreed *to the* abolition of the traditional nightshift, one of Kvaerner's long sought aims.

In early 1990, disappointed *with continuing losses at* Govan, Kvaerner embarked on a new £11m phase of investment, knocking down a dozen workshops and office buildings and erecting a large tank assembly shop. This enables tanks and 1,500 tonne hull sections to be assembled under cover and transforms the way the yard operates.

Kvaerner now claims that thanks to these measures the yard's throughput has increased by almost 50 per cent, and productivity has *gone up by 40 per cent* since 1988. The company aims to have doubled the output of the yard by 1993. It has achieved the backlog of orders extending *to 1995 which Mr Draegebo* has always said he wanted.

Airline pulls out of City airport

By Daniel Green

CONFIDENCE in London City Airport, once destined to be the capital's *business* gateway to Europe, was shaken yesterday by the withdrawal of British Midland Airways.

The decision by the airline to *end its flights to Brussels* renewed concerns over the financial health of John Mowlem, the UK construction company which owns 90 per cent of the airport. Shares in Mowlem closed down 15 per cent at 134p. The company has spent more than £40m on the loss-making airport, built in the former docklands of east London.

British Midland's move also dents hopes arising from the government's decision three months ago to allow the runway to be extended for jet aircraft. Only short range turboprop aircraft are allowed to use the airport now. "Jets should be able to land from this weekend," said Mowlem. Scheduled *jet services to Switzerland* are due to start in April.

British Midland's withdrawal was not wholly unexpected and it said it wanted to concentrate *on establishing* its Heathrow *to* Brussels route, due to start next Spring.

"We have been in the City Airport for nearly four years and have lost £12m to £15m there," said Mr Austin Reid, British Midland's managing director yesterday.

In October, Sabena, the Belgian carrier, ended its joint marketing venture on flights to Brussels with British Midland. It joined forces with Brymon Airways, 40 per cent owned by British Airways. Since then both Brymon and British Midland have each operated four flights a day to Brussels.

Mr William Charnock, the airport's director, acknowledged that there would be at least a short term reduction in the number of passengers.

City analysts say the airport will lose £1m this year and £½m next. Industry executives were also cautious. Brymon, now one of only two carriers at the City Airport, said it wanted to see more airlines there, *rather than fewer.*

The last British Midland flight will land on December 26.

Hard landing: British Midland says it has lost £12m-£15m at the City Airport (above)

UK PENSIONS

Retirement equalisation age for both sexes proposed at 63

By Norma Cohen, Investments Correspondent

THE GOVERNMENT yesterday suggested that retirement for men and women at the same age of 63 is the best solution to the equalisation of *state pension ages. At present,* the pension is paid at the age of 60 for women and 65 for men.

It released a consultative *document which says that the* government has an open mind on which option is best. But its list of drawbacks to a flexible scheme of a "decade of retire*ment", which would allow* men and women to chose to retire at any age between 60 and 70, indicates that it is inclined to go against this.

The *government's stance* is likely to disappoint the occupational pensions industry which largely favours that option.

"Flexible retirement ages are very *much* the way occupational schemes are going and there will be much disappointment if the government decides against it," said Mr *Roy Brimblecombe*, partner at actuaries Clay and Partners and chairman of the pensions committee of the Institute of Actuaries.

Many individuals in occupational schemes may already retire before or after statutory retirement age provided they have the consent of their *employer. Although* occupational schemes are not required to do so, they will have to adjust their retirement ages to match those of government as a practical matter.

"It's only after the government makes up its mind that companies can set their rules," said Mr John Cunliffe, partner at McKenna and Co and a specialist in pensions law.

The paper, prepared by the Department of Social Security, follows the landmark decision by the European Court on May 17, 1990 in which the court ruled that employers could not pay men and women differently and that pension is part of pay.

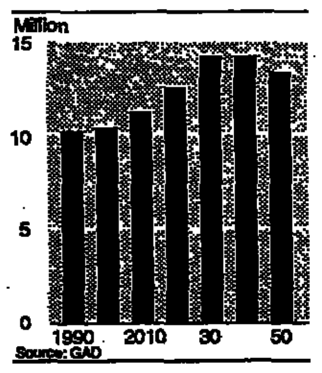
While the judgment only applied to private employers, the European Community *agreed that member states* would have to end unequal retirement ages in state pension schemes as well.

In its document, the government said that lowering men's retirement age to 60 would cost it at least £3.5bn per year. Because the national insurance payments of current workers are used to pay the benefits of pensioners, this could require substantial increases in contributions.

It also said that raising the retirement age for women to 65 would save government at least £3bn per year, while a mutual age of 63 would provide long term savings to the government of roughly £500m per year. The paper suggests that equalisation should not begin for 10 years and not be completed for a further 10 years - a pace likely to be viewed as too slow by the occupational pensions industry.

Government pension expenditure in the 1991-92 fiscal year is expected to be £26bn. Occupational pension payments are expected to total £15bn for the same period, according to Mercer Fraser and Co, pensions consultants and actuaries. The government actuary has projected a significant increase in the number of people over state pension age – from 10.3m in 1990 to 12.5m in 2020 and a peak of 14.4m in 2034.

Pensioners



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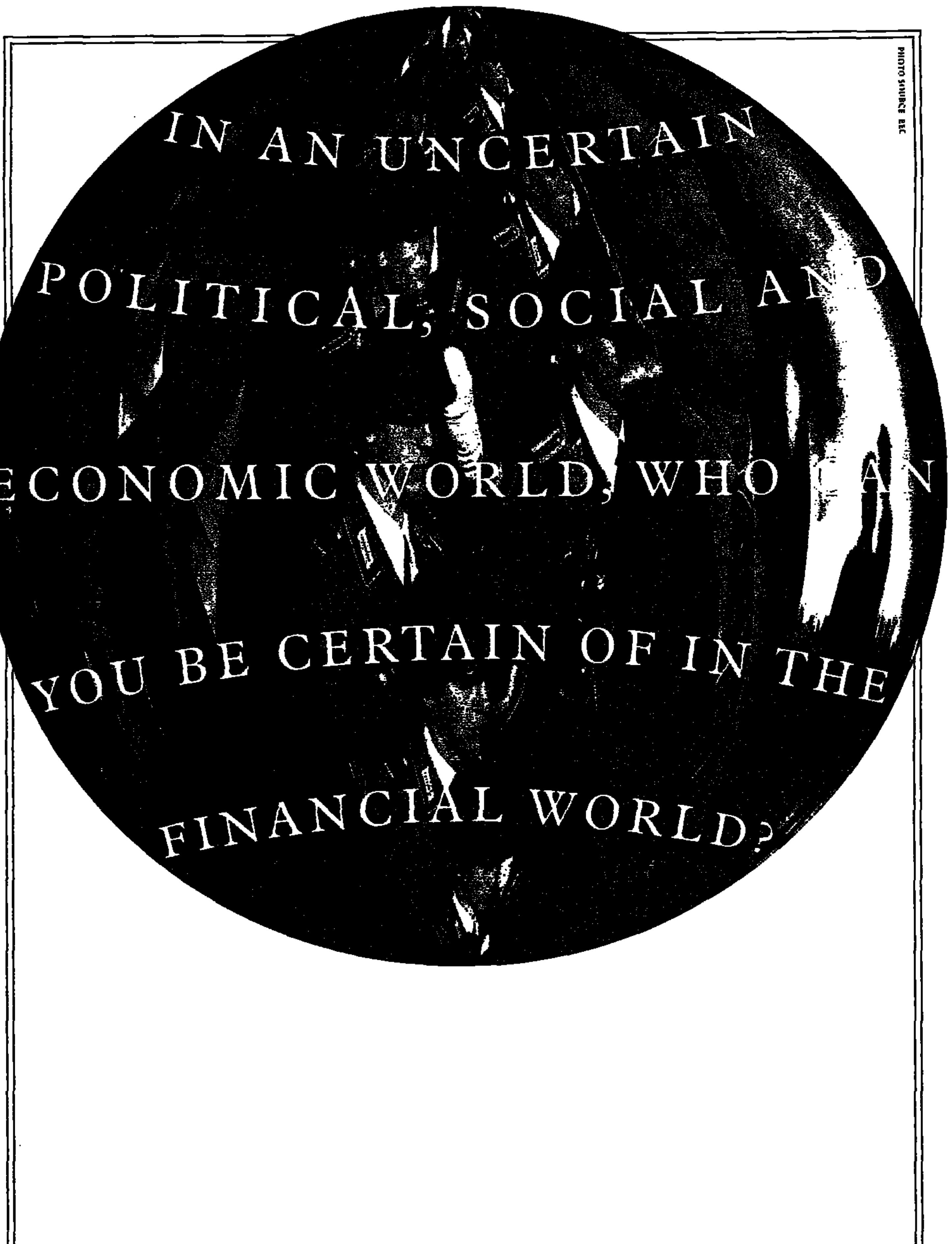


UK NEWS

Government seeks aid for home-buyers facing repossessions

Lenders come under pressure on mortgages

By David Barchard, Ivo Dawnay and Richard Lapper

THE UK government yesterday put pressure on banks and home loans and savings institutions to find up to £1bn to inject into schemes designed to help distressed mortgage borrowers.

The mortgage lenders, led by Mr Peter Birch, chief executive of Abbey National and chairman of the Mortgage Lenders Association, were working overnight to come up with the funds.

"We think we will be able to come up with at least £800m," a banker said.

By last night, Mr Birch had secured pledges of £790m, including £200m put up on Tuesday by Halifax, and £60m each from Abbey National and Woolwich Building Society. This level was thought by lenders likely to be acceptable to the government.

In return, the lenders are asking the government to double mortgage income tax relief to £60,000 for 10 years for first-time buyers to help end the depression in the UK housing market and stem the flood of repossessed homes expected in 1992.

Evidence of the mounting concern in the government over the evictions issue came after it emerged that the prime minister had held private talks with Mr Lamont, the chancellor of the exchequer, in the Commons to discuss today's announcement.

Fears of a possible rise in interest rates, general election concerns and lack of confidence continue to hold back any improvement in the housing market, according to a report today by the Royal Institution of Chartered Surveyors writes Andrew Baxter. Demand remains low in the south east with many first-time buyers holding out for further price falls. In the south west many people are letting rather than selling.

Mr Birch, put the lenders' request to the chancellor at an hour-long meeting in the Treasury between top UK mortgage lenders and five government ministers.

The meeting was the second between lenders and the government this week.

The only commitment the government has given is that it will change the law enabling income support for mortgage interest to be paid direct to lenders, if the lenders come up with their own support schemes.

Lenders warned the chancellor, however, that direct payment of income support to societies could have the surprising effect of increasing the number of repossessions. At the moment lenders expect around 85,000 repossessions in 1992.

Lenders fear that direct payment of income support to lenders could cut the disposable incomes of poor families and encourage them to abandon their homes and move into rented accommodation where they would be eligible for higher benefits.

Some lenders are understood to have told the government that they do not intend to commit funds to the scheme, and others, including Mr Birch, are unhappy about the idea of lending money for rescue schemes to housing associations.

It has also emerged that insurers, who attended yesterday's talks, could acquire equity shares in repossessed properties as part of the rescue schemes for distressed borrowers.

Analysis, Page 16

BR places order for Channel tunnel trains

By Charles Leadbeater

BRITISH Rail, the state railway, yesterday ordered seven trains which will start Channel tunnel services from cities north of London in early 1995, almost two years later than originally planned.

The placement of the £100m order, with a consortium led by GEC-Alsthom, the Anglo-French engineering group, follows the intervention of Mr Malcolm Rifkind, the transport secretary, to break the deadlock in negotiations between BR and the train manufacturers.

Mr Rifkind's intervention followed mounting complaints from Eurotunnel, the Channel tunnel operator, that delays in the delivery of the trains might threaten the project's prospects.

The 31 GEC-Alsthom trains due to run from London's Waterloo station to Paris and Brussels are already several months late due to problems developing the software which controls their engines and signalling systems. In addition to starting the long distance service almost two years later than was originally planned BR will not be able to operate as full a service as it wants.

British companies fail to get full share of Tornado work

By David White, Defence Correspondent

BRITISH companies are obtaining less than their full share of work in the three-nation Tornado combat aircraft programme, according to a parliamentary committee. The shortfall is estimated at up to £400m.

In a report on collaborative arms programmes published yesterday, the House of Commons Public Accounts Committee called on the Ministry of Defence (MoD) to "explore all opportunities" to correct the imbalance.

The MoD told the committee that the actual shortfall was likely to prove smaller than the initial £400m estimate.

The discrepancy, according to the ministry, is mainly related to support for Tornado jets already in service, rather than to production of the aircraft, which is already near its end.

The Tornado, produced in different versions for ground attack, air defence and reconnaissance, is a joint venture between the UK, Germany and Italy. Of a total of about 930 on order, just over 300 are for the Royal Air Force.

Main UK contractors are British Aerospace as a partner in the airframe consortium, Rolls-Royce in the consortium making the engines, and GEC-Marconi as the biggest electronics sub-contractor.

The project has involved a complex accounting system under which work shares are allotted according to the number of aircraft bought. This has avoided moving currency from one partner country to another during the production phase.

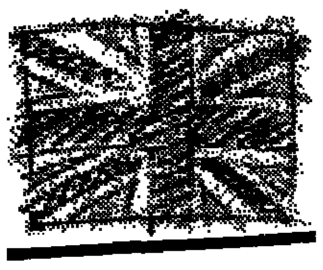
Once aircraft are in service, however, each country pays for its own support requirements, wherever the costs are incurred.

The committee said the imbalance could be corrected by transferring work to UK industry, provided that this was consistent with obtaining value for money.

UK assembly of Tornados at BAe's Warton factory in north west England is due to finish by the middle of next year unless further export order is signed with Saudi Arabia – currently the only client outside the three nations engaged in making the aircraft.

● *Committee of Public Accounts, Sixth Report, Ministry of Defence Collaborative Projects, HMSO, £7.95.*

BRITAIN IN BRIEF



Two leading unions agree merger plans

A merger between two of Britain's leading trade unions, the AEU engineering union and the EETPU electricians, is almost certain to go ahead after the AEU's national committee approved amalgamation proposals.

The two unions' 1m members will vote on the plans in February. The amalgamation will also hasten negotiations for merging with other unions. Mr Gavin Larid, AEU general secretary, said another major union was seeking talks.

Critics of the merger attacked the EETPU for what they see as "anti-union behaviour" and voiced fears that the AEU could be weakened through amalgamation.

Delay hampers citizen's charter

Plans to implement key pledges in the prime minister's citizen's charter have been delayed, according to the treasury minister Mr Francis Maude.

The delays were described by Mr Maude as a reflection of the "unprecedented" nature of the charter's programme for improving public services. The most serious delay is in plans for settling small claims over poor quality public services locally and informally through a network of volunteer lay adjudicators.

Construction still stagnant

The severity of the recession in the UK construction industry is underlined today by an official forecast that suggests there will be no sign of an upturn until 1993.

According to the latest edition of 'Construction Forecasts 1991-1992-1993', construction industry output this year is forecast to be 9.5 per cent lower than in 1990, and another lean year is expected in 1992, although the rate of decline could be about half that of the previous year.

Talks force BA to cancel flights

British Airways cancelled 23 of its 182 short-haul scheduled flights from Heathrow yesterday as some cabin crew members attended a two-hour meeting to discuss proposed changes to working patterns and pay.

BA wants to reduce guaranteed breaks between short-haul flights from 2¾ to 1¾ hours. The maximum shift on a long flight would increase from 16½ to 19¼ hours. Negotiations are continuing.

Ford cuts Transit output

Ford is to reduce sharply production of Transit vans at its plant in south England in January because of a continuing slump in the UK commercial vehicle market and deterioration of some key continental markets. The plant at Southampton, which employs 2,900, will produce vans on only three days a week during most of January. In total, 13 production days will be eliminated.

Water fails to meet EC rules

There were 75 instances of potential failure to meet EC requirements for water purity in England during 1990, according to the Department of the Environment. But it denied an allegation by Friends of the Earth (FoE) that there had been 400 breaches of the EC pollution standards at over 330 locations in England and Wales during that year. FoE has lodged a formal complaint against the government. But the department claimed 91 per cent of UK rivers met required standards.

Labour agrees to economise

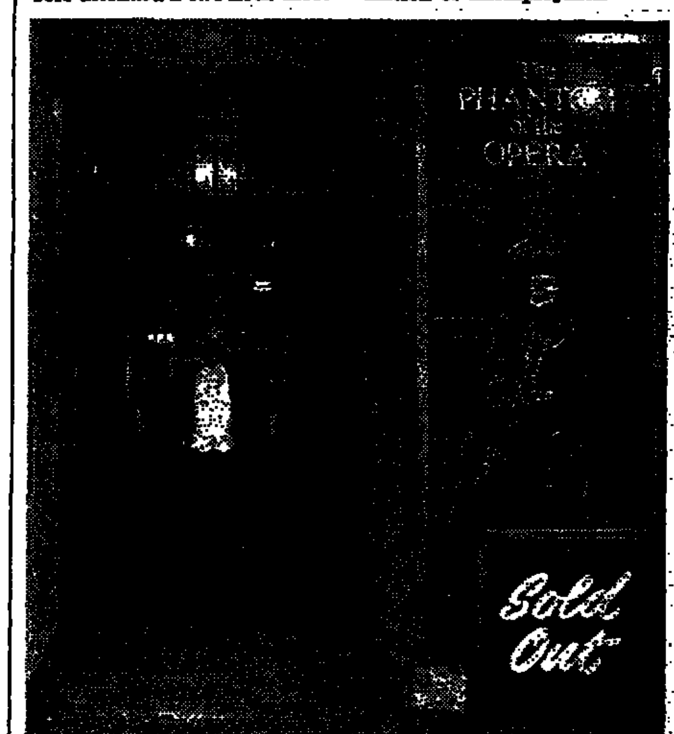
The opposition Labour party's national executive has agreed to make drastic economies averaging £1.5m annually for four years after the coming election to reduce a growing overdraft. In return, the Co-operative Society bank has allowed the party to increase its current overdraft from £1.9m to £2.5m, thereby averting the need to lay off 30 staff drafted in for the election.

Review planned on innovation

Plans for a wide-ranging review of innovation policy have been drawn up by the Department of Trade and Industry's recently established innovation unit. The unit, which Mr Peter Lilley, the trade and industry secretary set up in October, will be partly staffed by five senior businessmen who have been seconded for up to two years.

More women unemployed

More than half a million more women are unemployed in the UK than government figures suggest, according to an analysis based on the International Labour Organisation (ILO) definition of unemployment.



UK professional theatre generated a box office income in 1990 of at least £284m, according to the latest edition of Cultural Trends, a survey by the Policy Studies Institute (PSI). According to PSI figures, 25m people visited the theatre last year. Cultural Trends also draws attention to the importance of musicals in the fortunes of the industry. In 1987 musicals such as Phantom of the Opera, performed at Her Majesty's theatre above, accounted for 16 per cent of performances. By 1990 this had risen to 27 per cent, attracting 40 per cent of all attendances.

Lessons from across the Channel

By A.H. Hermann

A RECENT series of lectures arranged by the Centre for Commercial Law Studies at Queen Mary and Westfield College, London University, was entitled "Learning from Europe". The lectures were delivered by prominent continental lawyers, and the lively discussions which followed were *chaired, among others*, by the law lord, Lord Goff, Lord Justice Bingham and Mr Justice Steyn, the head of the Commercial Court.

They all agreed that both systems, the English and the *continental*, could gain from a more intensive exchange of experiences; and that while there are many things to be learned from the legal systems of continental Europe, there are also things which one *should not* try to transplant to the UK.

The continental courts can learn much from the English and Scottish oral proceedings, both in testing evidence and in pleading.

In spite of the recent efforts, particularly by Lord Donaldson, Master of the Rolls, to rationalise the procedure of the Supreme Court, the gulf between English and continental civil procedure remains very great.

The English civil procedure did not compare well, particularly the UK *method of* restraining the flood of litigation resulting from expansion of business, and social change — that is, by making it very expensive.

It is a truism nowadays that no one, except those eligible for legal aid or those who are very, very rich, can dare to approach the High Court. If the amount in dispute is £1,000 or more — the limit of the small claims court — it is probably counterproductive to attempt any form of litigation, even in the lower county courts.

There is something to be learned from the German civil procedure, which provides the lawyers with a premium if they achieve a settlement, and which obliges the judge to engage in conciliation before the trial has gathered an inertia of its own.

The Dutch system, where *simpler cases* can be dealt with by the presiding judge without a full trial, also has much to commend it. The dissatisfied party can insist on a full trial by a bench of three judges, but in most cases they do not, and the preliminary decision becomes final.

One common complaint of Continental lawyers is that English judgments are frequently much too long, full of unnecessary detail. Judgments of the Court of Appeal and of the House of Lords are said to be confusing, because several judges sitting on the bench may come to different conclusions, or reach the same conclusions for different reasons.

For some time now, *this* complaint has been less justified, as the Court of Appeal often sits as a bench of two judges who agree on the result, and the House of Lords has been giving judgments in the form of a single speech, with which the remaining four Law Lords agree.

The need to reach a compromise can lead to obscurity and inconsistency which so often appears in the judgments of the European Court of Justice

It is questionable whether this move towards an agreed judgment is any great improvement. The late Dr Francis Mann, one of UK's leading comparative lawyers, certainly did not think so. The need to *reach a compromise can lead* to obscurity and inconsistency, he said, which so often appears in the judgments of the European Court of Justice — though this may also be at least partly due to the turbulent youth of European law, and to the lack of judicial experience of most members of the Luxembourg court.

More judicially-minded courts, administering law which is more mature and settled — for example, the German Federal Supreme Court — seem to have no difficulty in producing agreed judgments which are both lucid and consistent.

There remains the objection to the length of English judgments and their preoccupation with detail. This has two causes. First, the absence of codified law, obscure drafting of statutes, and disdain of general principles of law, obliges the court to consider a great number of possible precedents; and second, the lawyers appearing in the court are paid by the hour and make the most of it.

Nevertheless, one could and should strive for greater brevity, though not to the extreme found in France, where judgments are often so excessively abstract that one has difficulty ascertaining what they are really about.

The European Court has succeeded over the past two years in producing relatively short judgments, but only by not repeating the facts and pleadings contained in the report for the oral hearing prepared by one of the judges. Moreover, a proper analysis of the law can only be found in the Opinion of the Advocate General. To get all the facts and opinion, one therefore has to read all three reports. As a rule, these total more than an English judgment would.

By contrast with civil procedure, *the internationalisation* of business and the similarity of needs of citizens in advanced industrial societies bring the substantive laws of the UK and the continent much closer together. This is particularly true of the results achieved in similar disputes, though the method and reasoning by which such uniform results are obtained often differ widely.

Sometimes the difference is in name only. Thus English *courts, when dealing with* issues of public and administrative law, are very shy of using the principles of proportionality, legitimate expectations and good faith, but they do the same by insisting that the administrative decision must be "reasonable", and must not punish a citizen who has done no wrong.

Though an English court would reject any suggestion that it should interpret statutes, not literally, but according to their purpose, they do so sometimes by implying exceptions on the grounds of public policy, when a literal application of the statute would endanger life, or lead to other serious consequences obviously not intended by the legislators.

Of particular interest was the comparison, provided in the London University lectures, between the English and German treatment of contracts for the benefit of third parties, and of damage suffered by third persons from actions or omissions relating to a contract to which they are not a party.

While the German law recognises that a person who is not party to a contract can benefit under it, and provides the means for such a beneficiary to enforce his rights, the English law is still bound by the obsolete notions of privity of contract and of valuable consideration without which no contract can be concluded.

The discussion of this hot issue soon revealed that the survival of these notions in English law is only made possible by the great number of statutory exceptions, particularly in the field of banking, insurance and pension law.

In the topical cases, when an investor suffers by a sub-contractor's failure to perform his contractual obligations towards the contractor, or when *someone* buying a business relies on untrue accounts provided by a negligent auditor to the target company, the German law provides a contractual remedy: the third party can make the sub-contractor or the accountant liable in damages for the economic loss resulting from the bad performance of his obligations.

English law achieves nearly the same result by finding the wrongdoers liable for damages, not in contract law but under tort. However, the contractual approach has an important advantage over the tort action: it enables a *disclaimer of liability* contained in the contract to survive as a defence against the third party — and it will also help the defendant by preserving the time limitation attaching to the contract.

These are only examples of the numerous lessons one can derive from the comparative study of the English common law and the continental civil law systems. But if a general lesson can be derived from the lectures, *it is that the development* of civil and commercial law by means of judicial decisions is extremely slow and costly to the parties.

The blame for this falls on the UK government and parliament who, even when not obsessed by the pre-election games, have little taste and time for legislation which is *not controversial*, and therefore without party political benefit.

The author is D.J. Freeman Senior Research Fellow in International Trade Law at Queen Mary and Westfield College, University of London.

LEGAL NOTICE

No. 0012733 of 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF THOMAS TILLING PLC
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 9th December 1991 confirming the reduction of the capital of the above named Company from £260,000,000 to £249,785,307 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 16th December 1991.

Slaughter and May,
35 Basinghall Street,
London, EC2V 5DB.
Solicitors for the above named Company

GEORGE CLEGG LIMITED

Registered number: 2182963
Nature of business: RICE MILLERS AND WHOLESALERS
Trade classification: 04
Date of appointment of administrative receiver(s): 14th November 1991
Name of person appointing the administrative receiver(s): COLIN HOLGATE NELSON
SURJIT KUMAR SINGLA Joint administrative receivers (office holder no(s): 265
c/o Singla & Company
49 Queen Victoria Street
London, EC4N 4SA

PUBLIC NOTICES

BANK OF SINGAPORE (AUSTRALIA) LIMITED

A$20,000,000
Term *Subordinated* Floating Rate Note Due 2000

In accordance with the provisions of the Note, notice is hereby given that for the six month interest period from 19 December 1991 to 19 June 1992, the Note will carry an Interest Rate of 7.875% per annum. The interest payable on the relevant interest payment date 19 June 1992 will A$4,003.13 per A$100,000 Note.

Agent
OCBC BANK
Singapore

CONTRACTS & TENDERS

ETBA

HELLENIC INDUSTRIAL DEVELOPMENT BANK S.A.

**INVITATION
TO EXPRESS INTEREST IN THE PURCHASE
OF 35.09% OF THE SHARES OF THE COMPANY
"AKTI MYRINA S.A. - HOTEL
& TOURIST ENTERPRISES"**

The Hellenic Industrial Development Bank S.A. (ETBA) is selling 6,381 preference shares without voting right (35.09%) which it presently holds in the company "AKTI MYRINA S.A. - HOTEL & TOURIST ENTERPRISES".

Company profile:

Established in Athens in 1963, the company owns a luxury tourist complex (bungalows) with a 250-bed capacity at Myrina on the island of *Limnos*.

Financial Data (in million dr.)

	1988	1989	1990
Sales	355	424	425
Gross profits	129	18	111
Net pre-tax profits	66	60	25
Total assets	413	465	522

Sale procedure

1. Initially, interested parties may *obtain further information from the* company itself or from ETBA S.A.
2. At the same time, they can receive a "specimen copy" of the required format for offers.
3. Interested parties will subsequently be called upon to *submit binding* offers before 20-01-92. The said offers must fulfil the following terms and conditions:
1) In addition to the offer price, the terms of payment must be clearly and explicitly set out, while the wording of the terms pertaining to the offer must be precise and unambiguous.
2) The price to be submitted following the detailed briefing of investors by ETBA will correspond to the value of shares on the day of submission of offers.
3) Offers must be accompanied by the letter of guarantee of a recognised bank, valid for 3 months and for an amount equal to 10% of the offer price.
4) *Offers* must be produced together with all the above supporting documents in a sealed envelope at the offices of ETBA S.A. at 13:00 on 20 January 1992.

Any offer received after the above date shall be considered overdue and will not be accepted. *Similarly, any modification to the terms of an offer* already submitted will not be accepted after the above date.

The binding offers will be opened in the presence of investors on the above date (20-01-92) *and* countersigned by a committee formed for this purpose.

The offers will subsequently be examined and assessed by a competent committee of ETBA which will take the final decision.

ETBA, as a shareholder, *reserves the right not to choose any of the* offers *or to* request improved offers or clarifications and also to conduct further negotiations with those parties which submit the best offers.

Furthermore, ETBA has the right to change the sale procedure, in the event that this is considered to be in the best interests of the shareholder or the company.

Interested parties *may* obtain a Prospectus as well as any other *information on the sale procedure and time schedule by contacting:*

HELLENIC INDUSTRIAL DEVELOPMENT BANK S.A.
PARTICIPATIONS DIVISION
87 Syngrou Ave.
117 45 Athens
Tel.: (01) 9215.311, 9232.054
Fax: (01) 9232.089.9232.809. 9232.883

Ask for Mr. Theodoros Haberis

This announcement was 70% financed by the EC.

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Commercial Additional Services Advertisement of Licences

The Independent Television Commission proposes to grant licences for Commercial Additional Services (in accordance with Section 49 (1) of the Broadcasting Act 1990) to provide services using spare capacity (VBI lines) within the signals carrying the main television broadcasting services on Channels 3 and 4, including S4C in Wales, from 1 January 1993. The licences are for the provision of services throughout the United Kingdom, the Isle of Man and Channel Islands on the basis of subscription or closed user groups.

Two separate licences are being advertised as follows:

Licence A – 3 lines per field on the spare capacity available on Channel 3

Licence B – 3 lines per field on the spare capacity available on Channel 4 (including S4C)

Each licence will be for a term of 10 years and will be awarded by competitive tender in accordance with the terms of the Broadcasting Act.

The ITC accordingly invites applications for one or both licences. Copies of the *Invitation to Apply for Commercial Additional Services Licences*, and of the draft licence may be obtained on written request from the Secretary, Independent Television Commission, 70 Brompton Road, London SW3 1EY. A number of other relevant documents are listed in the *Invitation to Apply*. These can be obtained from the ITC's Information Office at the same address.

Applications, addressed to the Secretary of the Commission, giving the information in the form specified in the *Invitation to Apply*, together with the application fee, should reach the ITC at the above address no later than noon on 13 February 1992.

ITC
Independent Television Commission

MANAGEMENT: Marketing and Advertising

Phantom of the supermarket shelf

Guy de Jonquières explains how a mystery became one of the promotional breakthroughs of the year

Who is Isabelle O'Lacy? This attractive young woman smiles out of television commercials across Europe, and her face is all over supermarket shelves on products bearing her name. She is the one of the marketing breakthroughs of the year, the woman every continental housewife is meant to want to be.

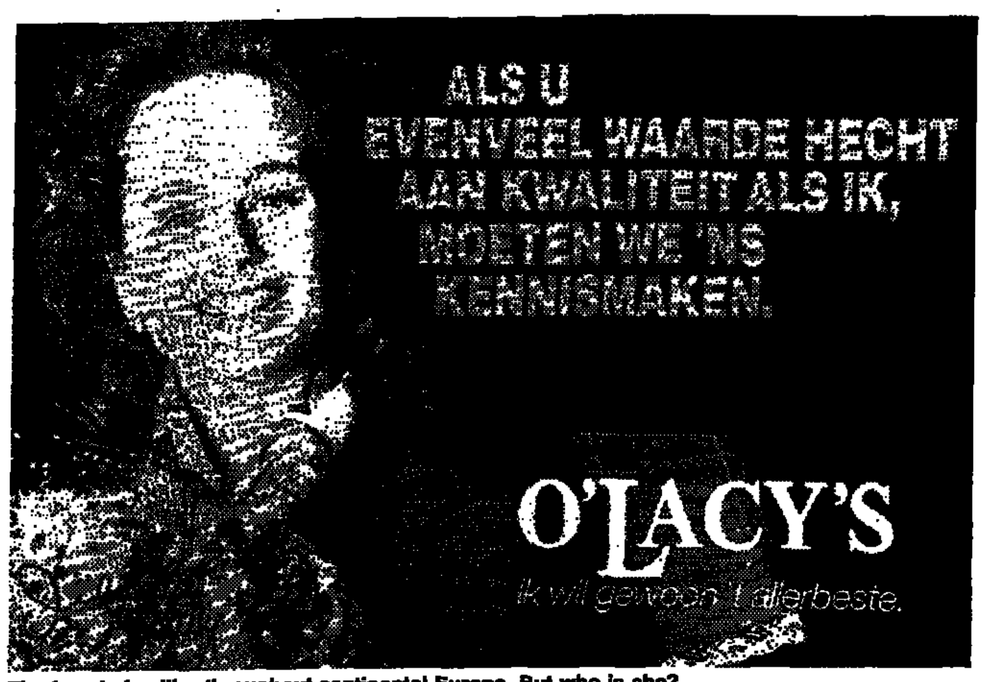
Yet mystery surrounds her identity. She exists: she answers customers' letters and occasionally makes lightning guest visits to stores. She even owns shares in a company named after her. Yet Isabelle O'Lacy is not her real name. The reason given is that she is a private person, and wants to stay that way.

This Greta Garbo of the supermarket aisles is the brainchild of Fred Lachotzki, vice chairman of Asko Deutsche Kaufhaus. She is also the solution to a problem facing the German retailing chain.

Three years ago, Lachotzki recognised that Asko was locked in an unequal struggle with its biggest suppliers, whose powerful international brands and production scale gave them muscle which few retailers could match.

None of the obvious solutions looked attractive. One was for Asko to introduce more products under its own label, which theoretically offered higher margins. In practice, however, continental supermarkets have been conspicuously less successful than British retailers in making own-label products pay.

The Dutch-born Lachotzki was equally sceptical of attempts by European retailers to improve their bargaining power by banding together to negotiate bulk purchases from suppliers. He judged – correctly, as it turned out – that such plans would prove hard to put into practice.



The face is familiar throughout continental Europe. But who is she?

Instead, he decided to turn the buying consortium idea on its head. Cross-border collaboration, he reasoned, stood a better chance of succeeding if retailers used it to fatten margins by achieving premium prices for higher quality products, backed by sophisticated advertising.

The upshot is O'Lacy's, a unique attempt to create a European retail brand from scratch. Barely 18 months since it was launched, it has spread to more than 500 food and household products in stores in Germany, the Netherlands and Sweden.

Though Lachotzki will not disclose sales, he says they exceed those of many medium-sized food manufacturers. Since Asko introduced O'Lacy's products, its gross margins in the categories concerned have increased by a percentage point.

Furthermore, Asko has found that three quarters of its customers now recognise the O'Lacy's name. Those who buy O'Lacy's products also spend twice as much per supermarket visit as those who do not – suggesting the brand is attracting an up-market following.

Central to O'Lacy's success is its personalised brand format. Lachotzki says the name Isabelle O'Lacy was chosen because it sounded suitably international and was found by market research to suggest quality and good value.

The brand is owned and managed by a private Luxembourg company, in which the "real" Isabelle has a small stake and Asko and other participating retailers have shares. So far, they comprise three Dutch regional supermarket chains and more than 100 Swedish independent grocers.

At Lachotzki's insistence, no retailer may control more than 5 per cent of the voting rights. "At first, I thought Asko should own a majority of the O'Lacy's company, but I quickly realised that the brand would then not have an international image," he says. Unsubscribed shares have been placed in a trust, to be issued to future participants.

The company levies a charge on participating retailers, equal to 2 per cent of their annual sales of O'Lacy's products. As well as supporting a staff of 20 people, the money finances production of television commercials, at a cost of £1m this year, and the design of common point-of-sale displays.

A unique attempt to create a European brand from scratch

The O'Lacy's company defines the broad specifications, pricing and basic package design of every product. The iron rule is that products should match the quality of branded category leaders in each country, sell for 15-20 per cent less and yield higher gross margins.

Manufacturing and packaging arrangements are left up to the retailers, though the O'Lacy's company regularly checks the quality of products. These are now made by more than 200 suppliers, including a German subsidiary of the Anglo-Dutch Unilever group.

O'Lacy's seeks to cope with differences in national consumer attitudes – and minimise development costs – by modelling its products and packaging closely on the brand leaders.

In Germany, for instance, its coffee packages have a green label, just like Jacobs, the best-selling brand. But in the Netherlands, O'Lacy's uses a red label, like Douwe Egberts, the market leader.

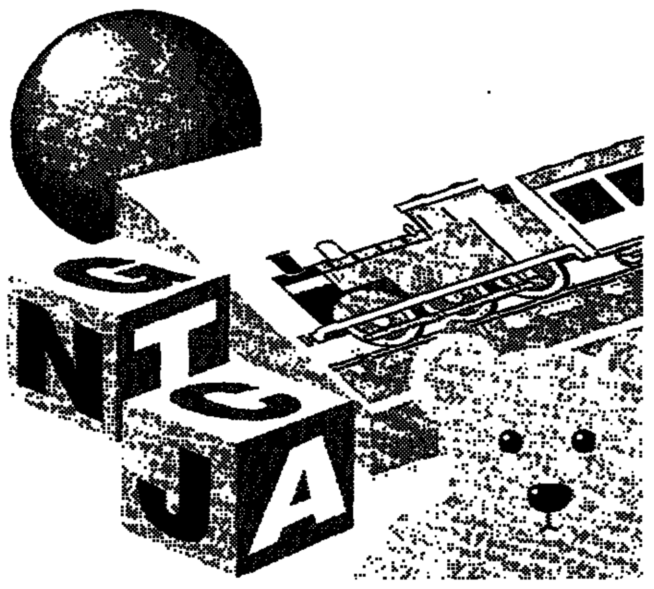
Lachotzki says the brand leaders do not object to such tactics. Before Asko launched O'Lacy's in Germany, he explained its strategy to its 60 biggest branded suppliers. "I reminded them that increased competition always hurts the number three and four brands, not the market leaders," he says.

A much bigger challenge has been to ensure consistently satisfactory product quality. Extending a brand across many different products is a notoriously tricky business, because a single failure can undermine the entire range.

O'Lacy's cheerfully admits to having had problems. One was a disposable nappy made of environmentally friendly paper, which became rigid when wet. The product was swiftly withdrawn and Isabelle apologised in writing to every dissatisfied customer. "It taught us that some products can take years to innovate and test-market," says Lachotzki.

Less serious mishaps were a line of high-quality Swiss chocolates which sold poorly because they were packaged too cheaply, and O'Lacy's detergents, which were continuously undercut in Germany by deep manufacturers' discounts on branded products.

Lachotzki hopes to extend the O'Lacy's family to retailers in other countries in Europe and eventually even to Asia.



TV commercials

Not in front of the children

Gary Mead investigates curbs on selling goods to youngsters

As you settle down to a feast of television commercials bringing you red-nosed reindeer carrying power drills, aftershave and dry sherry, spare a thought for this Christmas's less privileged – the Euro-tots who are barred from experiencing some advertising ploys, and the companies who want to sell to them.

Across Europe, advertising to children is either hamstrung – as advertisers see it – or regulated – as the governments concerned view it.

In Finland, Santa's homeland, child actors may not speak or sing the name of a product in commercials. When it comes to advertising sweets, they must not appear on screen at all; children munching sweeties are also out of order in the Netherlands.

In neighbouring Sweden no child may be depicted playing with "war toys", and advertisements may not show the price of toys.

On Swedish TV, all ads aimed at "gaining the attention" – rather a difficult concept to quantify perhaps – of children under the age of 12 are banned.

In Turkey, children can only watch TV commercials in the presence of an adult, strikingly like the Austrian regulation which rules that children shown in TV ads must be accompanied by parents or a "competent authority figure", another definition which leaves much to the imagination. Continuing the "we know what is best for you" theme is Denmark, where no-one under the age of 30 is permitted to appear in toy advertisements, slightly later than the age both of consent and enfranchisement.

Scandinavia is obviously a touchy area. In Norway, skateboards must include the following labelling: "do not use skateboards in areas with traffic. Skateboards are not suitable for children under the age of 12". Norwegian children are also missing out on any advertisement which might have tried to associate a product with people or characters from regular television series.

In France, anyone under 16 is banned from enunciating a product name in an advertisement; they cannot wear the colours, logo, brandname or initials of any product; and they can only introduce a product in a commercial when "there exists a direct link between the product and child usage and when shown together with adults".

In Greece, advertising of all toys was banned from 1987 until earlier this year; that ban continues on television for all toy ads before 11pm. In Italy, commercial breaks are prohibited in cartoon programmes "aimed" (a Gordian knot if ever there was one) at children.

If you think all that is tight regulation, consider the British market. One of many regulations states that "no product or service may be advertised, and no method of advertising may be used which might result in harm to children (anyone aged 15 or under) physically, mentally or morally, and no method of advertising may be employed which takes advantage of the natural credulity and sense of loyalty of children".

Some of my best friends' children are already looking forward to watching a wall-to-wall diet of old Marx Brothers movies on Christmas TV, but no-one thinks to protect them from that. Merry Christmas.

Companies adopt a strategic approach; public hospitals chase private money PAGE 2

FINANCIAL TIMES SURVEY

CHARITIES

Thursday December 19 1991

Funds law in flux; Mencap's paper victory; courses for staff; new hostels PAGE 3

Tighter controls are on the way

Britain's voluntary bodies have an estimated turnover of £17bn a year, exceeding that of the nation's agriculture. They now await the biggest shakeup in charities law for 30 years. ALAN PIKE reports

BRITAIN'S VOLUNTARY sector has an estimated £17bn turnover and as such, Lord Ferrers, Home Office minister, said last month when introducing the biggest strengthening of charity law for 30 years, is bigger than agriculture.

The fact that the voluntary sector dwarfs many industries is a frequent source of surprise to those whose image of charities is one of jumble sales, sponsored swims and the carol singers who will be rattling collecting tins in shopping centres this weekend.

But while the sector's sources of income and reliance of voluntary effort mark it out from other areas of the economy, it has many similarities with conventional industries. In the present recessionary, competitive climate the need to run efficient, cost-effective organisations which deliver measureable results is as high among the priorities of charity managers as those in any other sector.

Both the voluntary sector and the government hope that the long-awaited Charities Bill now before parliament will lead to increased efficiency and, by demonstrating that charities are well run and regulated, raise the confidence and generosity of potential donors.

The Bill's main aims include proposals to:

■ Strengthen the powers of the Charity Commission to obtain information about individual charities and deal with abuse and mismanagement. The commissioners are, now that their register of charities has been computerised, armed with the technology to monitor charities more stringently. When the Bill becomes law they will have stronger legal powers as well and will, for example, be able to appoint receivers and managers for charities. Contrary to public perception, the commission has until now had a largely advisory role. The new law will make it into a far more powerful regulatory body.

■ Reform the accounting requirements on charities, introducing broadly similar arrangements to those applying to companies. Charities will have to submit their accounts to the commissioners in a specified form, and persistent failure to do so will become an offence.

■ Clarify and regulate the responsibilities of charity trustees. Individuals convicted of offences of dishonesty, undischarged bankrupts and those disqualified from company directorship will be banned from holding office as trustees. The government wants trustees to recognise that they are not just fulfilling a symbolic "name-on-the-notepaper" role but must accept responsibility for the funds in their charge. The National Council for Voluntary Organisations and Charity Commission are looking at ways of providing trustee training to ensure that they can fulfil their responsibilities.

■ Control fund-raising, particularly the activities of commercial and professional fund-raisers. This follows highly-publicised examples of some commercial fund-raisers getting richer than the charities they have represented. It will be unlawful for professional fund-raisers to raise money without a charity's agreement, and the Home Office will be able to set minimum standards for agreements. Fund-raisers will have to disclose more information, and charities will be able to apply for injunctions preventing unauthorised fund-raising.

The government's decision to introduce the Bill has been well-received in the voluntary sector, where there is recognition that abuse by one charity can dampen the public's willingness to support any charity. There has, however, been a flurry of amendments since the Bill was tabled in the House of Lords last month.

Whichever party wins next year's general election, recent moves towards recasting the voluntary sector's relationship with government departments, local government, health authorities and other public bodies are likely to continue on broadly similar lines. This will involve shifting from grant-funding to a more formal system based on contrasts to deliver specified services.

Contract-funding offers some advantages to charities – most notably guaranteed income over the period of the contract – but is giving rise to concern that contracts may undermine the voluntary sector's independence.

Many smaller voluntary organisations in London and elsewhere have been forced to close this year because of cuts in local authority financial support. There are fears that this trend will worsen, with the loss of much innovative local voluntary activity, as public authorities devote most of their voluntary sector budgets to buying-in services from big charities.

Voluntary income is at the heart of any charity's quest for independence. The more money it can raise for itself, the more confidently it can negotiate with the public sector.

Although some of the biggest charities have succeeded in maintaining or improving their financial position this year in spite of the recession, information published by the Charities Aid Foundation last month suggests that public support for charity – which fell from an average £1.97 per month to £1.28 between 1988-89 and 1989-90 – remains on a plateau.

Charity managers argue over the precise interpretation of the figures but one central fact is beyond doubt. Financial support for charity remains a relatively low priority in most British households.

Tackling this will be one of the sector's top priorities in the coming year, which is likely to see the start of the country's first generic advertising campaign selling the general notion of charitable support. Pressure is growing for fresh attempts to promote tax-advantageous means of supporting charity, like payroll giving and Gift Aid, in more imaginative ways. One-off donations to charity of at least £600 qualify for tax-relief under the Gift Aid scheme – a lower limit, of perhaps £200, will be one of the sector's priority demands for the next Budget.

Mr John Major, prime minister, told the Charities Aid Foundation conference last month that he was considering making the development of the European voluntary sector one of the priorities for Britain's EC presidency next year. "Charities are not the sticking plaster on the welfare state," Mr Major said. "The activities of volunteers are part of the cement that binds our society together."

As the presence of the prime minister at the conference demonstrated, Britain's charities are moving closer to the centre of the political stage – perhaps at least creeping closer to becoming the fully-fledged third force, alongside the public and private sectors, that many voluntary sector leaders want to create.

There is recognition that to achieve such status the sector must, as well as improving its efficiency, develop ways of measuring it. While there is no shortage of information about how much money individual charities receive much less is known about how effectively it is spent.

And while Mr Major may not regard charities as the sticking plaster on the welfare state, one of the questions he and other politicians still have to answer is where the voluntary sector stands in relation to it. Surveys continue to show strong public support for the view that the state, rather than charity, should be the provider of welfare services.

Legally and managerially, the reform and modernisation of Britain's voluntary sector is under way. Crucial elements of the debate about the precise boundaries of its role, however, are still waiting to happen.

Illustration: Robin MacFarlan

THE UK'S TOP 10 FUNDRAISING CHARITIES 1990 (£000)

	Voluntary income	Total income	Administrative expenditure
National Trust	55,727	104,278	4,365
Royal National Lifeboat Institut'n.	47,366	52,720	1,879
Oxfam	45,027	62,078	2,503
Imperial Cancer Research Fund	42,117	52,927	792
Cancer Research Campaign	40,284	49,276	772
Salvation Army	38,985	70,207	3,770
Save the Children Fund	38,610	52,196	1,561
Barnardos	29,938	69,553	2,271
Help the Aged	24,508	28,253	378
Guide Dogs for the Blind Ass'n.	24,449	32,785	1,011

Source: Charities Aid Foundation

VOLUNTEERS IN THE UK

The spirit strengthens

THE VOLUNTARY worker is the special ingredient giving a charity a different flavour from that of any other public or private sector organisation, writes ALAN PIKE.

Although big charities are becoming more businesslike in management style, with large full-time staffs run by chief executives, the work of the unpaid volunteer remains crucial.

This month the most comprehensive study of volunteering for many years contradicts recent suggestions that the British are becoming less inclined to do voluntary work – the proportion of the public engaged in at least some voluntary activity in the course of a year, it suggests, rose from 44 per cent in 1981 to 51 per cent this year.

The survey, published by the Volunteer Centre UK, shows fund-raising to be the most common activity involving 68 per cent of volunteers. About half of all volunteers had organised or run events, while a quarter served on committees. An average 2.7 hours per week is spent on voluntary activity which suggests that the nation benefits from an annual 62m hours of voluntary workers' time.

People aged 35-44 are most likely to undertake voluntary activities. There is a strong link to social position, with 72 per cent of people in managerial and professional positions saying that they do voluntary work. This compares with 58 per cent in skilled manual occupations and 37 per cent in unskilled jobs.

Retired people are least likely to volunteer. This indicates there is a substantial untapped pool of expertise which could be of immense value to voluntary organisations, many of which lack the resources to employ accountants, designers, market-research staff and other specialists. Mr John Patten, Home Office minister, plans to use the survey findings to persuade employers to encourage staff approaching retirement to consider voluntary work. He will ask the Confederation of British Industry and the Institute of Directors to establish a joint task-force to seek ways of including information about volunteering in pre-retirement courses.

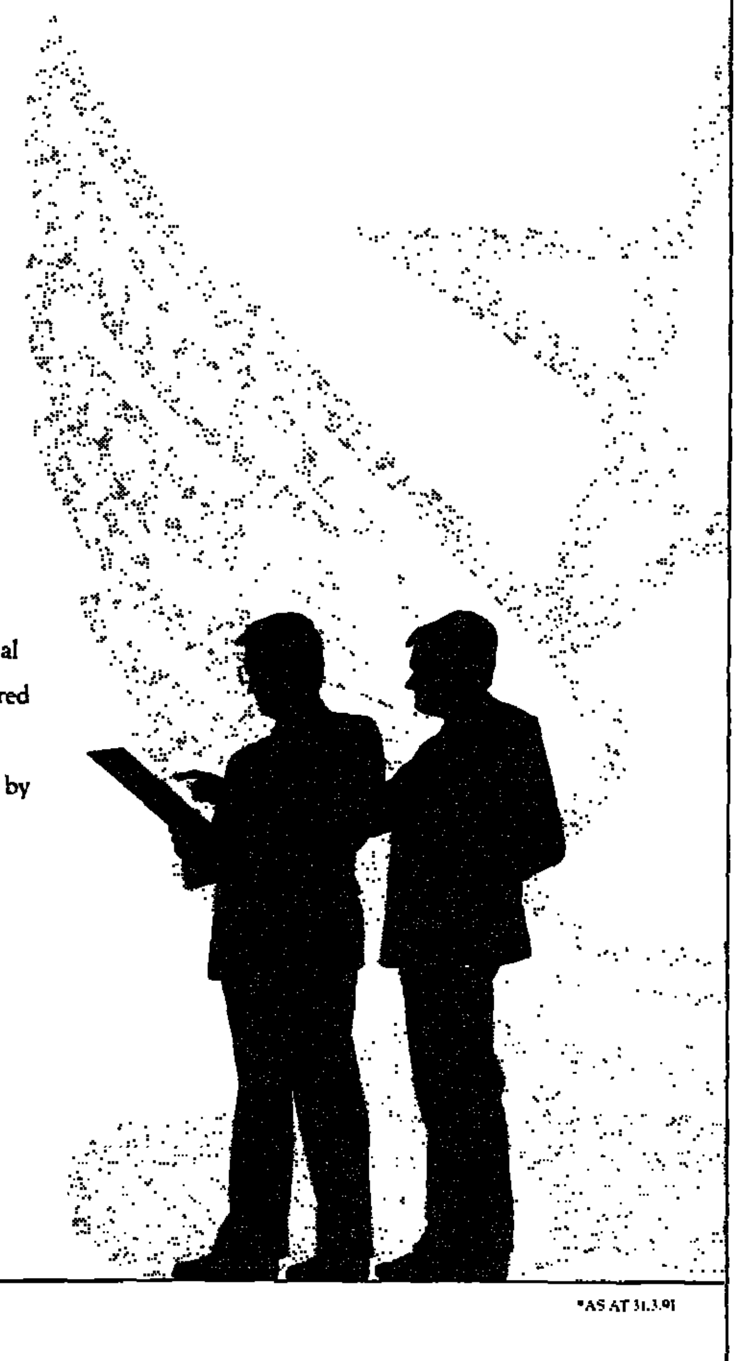
Why do people do voluntary work? According to the survey half begin by coming forward and offering their services, while a similar proportion first get involved when asked to help. About 40 per cent join organisations connected with a personal or family need or interest.

Many people express altruistic motives for volunteering, with more than a third saying that they want to improve society or help people. The main benefits for volunteers, according to the survey, are the basic ones of enjoying the work and seeing the results. Older volunteers regard voluntary work as an opportunity to do something they are good at, while young people often see it as a means of learning new skills and gaining qualifications.

There is a growing recognition in charities that volunteers must be well-managed to maximise their contribution – something which can call for a particularly delicate management-style when the people being managed are giving up their free time.

The survey suggests that this area requires continuing attention. More than 65 per cent of volunteers felt their time could be better organised, while nearly a quarter said that their efforts were not always appreciated.

The 1991 National Survey of Voluntary Activity. Volunteer Centre UK, 29 Lower King's Road, Berkhamsted, Herts HP4 2AB £15.



In the shadow of the City of London's Square Mile, three members of one of Britain's growing number of homeless families huddle together for warmth on the wintry streets of Spitalfields Picture: Colin Beere

BUSINESS IN the Community, the national organisation which promotes a range of industry-community initiatives, will celebrate its 10th anniversary early next year.

During the decade since BITC was formed there has been a change in both the scale and depth of corporate involvement in community and charitable activity.

A growing number of companies, particularly bigger ones, now regard the occasional writing of cheques to randomly-selected good causes as an inadequate and even pointless approach to community support. They are replacing this with the establishment of specialist departments to research and promote community activities, and more specific targeting of charitable support. Most importantly, community involvement is being built into more companies' mainstream business agendas and becoming a boardroom topic.

BITC will use its 10th anniversary events as an opportunity to spread these ideas further, particularly in smaller companies. "Directions for the Nineties", its new strategy, aims at improving both the extent and quality of corporate community involvement. Action points for achieving this include urging companies to recognise that:

- business involvement must be clearly focused;
- companies should be committed to projects at all levels, from the leadership of senior management to employee involvement;
- shareholders, employees, customers and the wider community need to be aware of a company's efforts – a campaign is being launched to encourage companies to report on community activities in annual reports;
- community involvement should be integrated into mainstream business activities like marketing, purchasing and personnel;
- some of the best community involvement schemes are ones which maintain long-term partnerships in the community, and those which are delivered in association with other agencies like government departments, local authorities and voluntary organisations.
- community involvement schemes need to be managed as professionally as other business activities, with measureable targets and outcomes.

Business attitudes to charity are changing, writes **Alan Pike**

The need for a strategy

Promoters of greater corporate community involvement know that companies are more likely to be convinced by business arguments than philanthropic ones. One business advantage is generally held to include the potential benefits to a company's image, but the use of secondment to voluntary organisations as a management development tool is now widely recognised as another particularly tangible benefit.

Secondment, once largely confined to employees coming towards the end of their careers, is now used much more as a development tool for younger managers. Secondees on schemes arranged by the Action Resource Centre, which brokers secondments between businesses and voluntary organisations, provided 17,500 days work in the community last year. Many of these secondees were on the centre's new development assignments – short secondments for specific purposes designed for people in early or mid-career.

Employee volunteering schemes are another growth area of community involvement. Some companies allow employees time off for charitable activities while others restrict their involvement to encouraging involvement and providing organising facilities.

Such schemes offer voluntary organisations the chance of enlisting large groups of supporters for projects while building the concept of voluntary activity into a company's culture. There is usually no shortage of supporters for organised volunteering schemes – surveys show that one of the main reasons for people not volunteering is that no-one has ever asked them.

To help stimulate employee volunteering, a national award sponsored by Whitbread and supported by the Home Office was established last year. This year's overall winner, announced last month, was Body Shop with other awards taken by the Post Office and IBM's Edinburgh office.

Entries for the award indicate that management-supported employee volunteering is well established in a remarkable range of organisations, both big and small. At RAF Sealand, on the Welsh-English border, every one of the 2,000 military and civilian personnel was involved in charity fund-raising last year.

Charities Aid Foundation research shows that a group of 100 leading companies gave cash donations of £145m in 1990-91.

But direct financial support for charity is greatly outweighed by other forms of assistance such as secondments, employment schemes and the provision of facilities and equipment.

One of the consequences of community activities being treated as a mainstream business topic in some companies is that the economic efficiency of charitable support is coming under greater scrutiny. National Westminster Bank, the most generous corporate supporter of charity last year with cash and other assistance totaling £13.7m, will next year relaunch its community programme to sharpen its focus.

"We want to concentrate our support in those areas where the bank has the most to contribute – like the financial and administrative skills of our staff – to ensure that organisations we support gain the maximum benefit from our involvement," says Amanda Jordan, recruited from the National Council for Voluntary Organisations to run National Westminster's charities unit.

The part-time expertise of specialist staff, which would usually be outside the financial scope of smaller voluntary organisations, is one of the most precious advantages of corporate involvement. At a time when recessionary pressures and moves to contract-funding are forcing voluntary organisations to become more efficient, the volunteered time of accountants and other managers can help transform a charity.

For example, Ernst & Young, management consultants, agreed as part of the company's Business in the Community involvement to conduct an organisational review of the London Connection, a charity working with homeless young people in the capital.

Staff from Ernst & Young interviewed the charity's staff, met union representatives, and produced a report recommending the London Connection to adopt a more concise statement of purpose, introduce a more focused organisational structure, increase staff flexibility, improve communications, revise its management committee's terms of reference and introduce performance measurements.

The plan was received favourably by the charity and is now being implemented. As well as providing the charity with professional assistance which would otherwise have been beyond its reach, the project also appears to have challenged a few social stereotypes. One of the Ernst & Young team, on his first visit to the London Connection, was mistaken for one of the charity's homeless clients – something which, commented a member of the London Connection staff, "helped to dispel many myths and assumptions about the nature of management consultants.

Competition sharpens as hospitals seek cash, writes **Alan Pike**

Lady with the Lamp returns

"I ASK and pray my friends who still remember me not to let this truly sacred work languish and die for want of a little more money," wrote Florence Nightingale, Britain's most famous nurse, in 1901.

Ninety years later, Derek Robertson is again appealing for a little more money. He is director of the Florence Nightingale Fund, a joint charity established this year by Guy's and St Thomas' hospitals and their United Medical and Dental Schools.

Robertson, formerly in charge of fund-raising at the National Society for the Prevention of Cruelty to Children, is the first professional appeals director employed by the famous London teaching hospitals.

Posts like Robertson's confirm the fears of other charity directors that they are about to face an onslaught of what some regard as unfair competition from the public sector.

There is nothing new about hospitals running charitable appeals to purchase items of equipment or sponsor other work. But the development of self-governing trusts is leading to some hospital managers adopting a more businesslike and determined approach to the task.

The growth in public sector involvement in charitable fund-raising is not confined to hospitals – appeals by universities are common, while opted-out management is likely to increase the involvement of schools in local fund-raising.

The arrival in the market of fund-raisers such as hospitals and universities does not necessarily reduce other charities' incomes.

A new cause can unlock new sources of funds. Oxford University is currently trying to raise £340m from a large-scale appeal. Many of its donations are coming from abroad – about one-third of £200m received so far has been raised in the US – and is therefore not income which would have gone to most alternative UK charities.

Some charity directors are, nonetheless, concerned that they face increasing competition from the public sector at a time when welfare charities are being asked by the government to accept responsibilities previously undertaken by public authorities.

Directors of private charities fear an onslaught of what some claim is unfair competition from hospitals and other public sector institutions

Robertson does not agree. The firmly-stated objective of the Florence Nightingale Fund, he says, is to raise money for pioneering projects to accelerate progress in patient care, medical education and research at Guy's, St Thomas' and the medical school.

"It has been made quite clear to the Charity Commissioners that the objective is to raise funds which will be supplementary to income from the National Health Service and the Universities Funding Council. We will not be replacing public funds by collecting money to polish the ward floors."

The first specific objective of the Florence Nightingale Fund is to raise £5m to provide Britain's first Positron Emission Tomography (PET) system. This would enable doctors to see images of how body tissue and organs function chemically, with applications in the diagnosis of a range of conditions including heart disease, cancer, epilepsy and Alzheimer's disease.

"The first test of any charity must be whether it is meeting a relevant need," says Robertson. "Provided that it is, people should be given the opportunity to contribute to whatever causes they choose. The public is aware that no health system can provide sufficient finance for everything, and if individuals wish to make the promotion of pioneering projects at a hospital their priority for charitable support they should be allowed to do so."

Funds look to law reform, writes **John Authers**

Barriers may fall

Ashley Ashwood

A homeless old man, outside London's Charing Cross station, hoping a passer-by will give him the price of a cup of tea

BARRIERS which have stopped charities from investing as effectively as they should could be about to fall, after 30 years.

Since 1961, the Trustees Investments Act (TIA) has laid down strict guidelines on what charities can invest. Now, some of those central provisions have been challenged in the House of Lords. If the Charities Bill currently winding tortuously through parliament survives in its current form, the reforms will be made.

The TIA seemed at the time to be a liberalising measure. It provided that charities should invest at least 50 per cent of their funds in a Narrow Range of securities. This narrow range included fixed interest stocks, such as UK government gilts, but excluded equities.

Equities are more likely to grow in the long term than gilts, so this placed a damaging restriction on trustees.

The TIA also bars funds from investing in companies which have not paid dividends for each of the last five years. This excludes some of the strongest performing companies, such as Wellcome – formed less than five years ago – and Smith Kline Beecham.

Mr John Harrison, head of the charities division, describes this as a minor problem. The overall restrictions on asset allocation, he says, are 90 per cent of the problem.

An amendment tabled by Lord Harris of Greenwich, the Liberal Democrat peer, would do away with the 50 per cent Narrow Range requirement. It has all-party senior support in the Lords. This at the very least substantially increases the pressure on the government to let the reform to go ahead.

Mr Harrison hailed this as "very good news indeed". While he still thinks the TIA is out of date, this could allow charities to be much more effective.

At present, charities try to get round the TIA by the use of a Common Investment Scheme (CIS). These are similar to standard unit trusts as they are open-ended funds, divided into units. However, as they are created specifically for charities, they pay out dividends gross of tax. This gives them a big advantage, as far as charities are concerned, over normal unit trusts, where income is paid net, and tax must be reclaimed later.

They are counted as a "Special Range" investment under the TIA. Trustees are allowed to devote their "Narrow Range" investments into one of these pooled investments, and thus effectively boost the equity content of their funds.

The players which have entered so far tend to offer two funds – one investing in equities, and the other in gilts and fixed interest stocks. Mercury, with Charinco and Charishare, and Cazenove, with two funds managed on behalf of the Charities Aid Foundation, lead the market at present. M&G, the UK's largest unit trust company, also offers funds, and Schroders plans to enter the market soon.

These will maintain their uses even after any reform to the law. But the broader portfolio management services available to charities in the City could now become more appealing.

Since Big Bang five years ago, the bigger fund management companies have woken up to the potential of large charitable funds. In increasing numbers, they are setting up separate divisions solely to look after charities.

The reasons are simple – the market for charitable fund management is still underexploited, and many of the skills needed are the same as those for managing pension funds. Both involve large long-term funds which do not pay tax.

Meanwhile, charity trustees, faced with a recession which has bitten into the income they receive from donations, must increasingly accept the need to use investment as an alternative source of income.

The result is that some of the most successful pension fund managers are now offering highly competitive and good value deals for charities. Any charity of reasonable size needs to look at this option very carefully.

Mr Michael Coop of Bacon & Woodrow, a firm of actuaries which acts as an adviser to charities, divides fund managers into three:

- Traditional life assurance companies which barely touch the market.
- Stockbrokers who have involved themselves only to a limited extent.
- The big specialist fund managers who already dominate pension fund management – for example Mercury, Schroders, and Lazards – have gone out of their way to collar the market.

One of the first to set up a separate charity division was Mercury Asset Management. They found that, unlike pension funds, charities need regular income, and cannot have a certain idea of their commitments each year.

But while charity trustees must take a short time horizon, they also need to preserve their capital in the long-term, as they usually need to provide on-going financial support.

So charitable funds tend to aim for income, at the expense of growth. The best way to this is via high-yielding equities (shares with relatively high dividends). But the fund has to be more conservative than a pension fund would be.

For example, Mercury's "house view" is very positive about overseas bonds, and about several overseas equity markets. However, its charitable funds avoid overseas markets altogether, because in general they are lower yielding making them poor income producers. Also, despite a strong bias towards equities, bonds make up a much greater share of Mercury's charitable funds than of its pension funds.

This leads to awkward trade-offs. When Mercury took over a new client recently, it reduced the total held in fixed interest stocks from 45 per cent to 27 per cent, and reduced the total share of overseas holdings from 42 per cent to 23 per cent.

The bottom line, as far as Mr Woolf is concerned, is for charities to assess exactly what their requirements are. Their requirements for cash flow differ so greatly, and a trustee faces a big responsibility in drawing up the brief for a fund manager, quite apart from choosing the right one.

The recession, and the unexciting market performance which has followed in its wake, may not make the case for dipping into big fund management seem particularly exciting. But that recession will probably have an even worse effect on voluntary giving.

The low level of the London market means that the average yield from dividends is actually above 5 per cent. Historically, this is very high, and it also suggests that prices should be set to rise.

These conditions are ideal for charities. They should welcome the opportunities for higher income, coupled with the prospects for long-term capital growth from equities.

And the fund managers themselves are not enjoying the recession. At present, their expertise is not over-priced.

Alan Pike on Mencap's money-spinner

Waste paper into gold

Geoff Bradley: one of the biggest paper retailers

THE FIRST time Geoff Bradley handled paper for charity was in the 1970s, when he collected huge amounts of waste in his spare time and raised £100,000.

Now his connection with paper and charity is a more sophisticated one.

He is managing director of Mencap Business Supplies which, since he set it up eight years ago, has grown into one of the biggest paper retailers in the country.

Bradley went to Mencap – the Royal Society for Mentally Handicapped Children and Adults – with the idea of supplying photo-copier paper to commercial outlets.

He argued that, provided they were satisfied with quality and price, many companies would be happy to know they were supporting charity every time they made such a basic purchase.

Today Mencap's customers include Hitachi, Rolls Royce Motor Cars, Peat Marwick McLintock, the Scottish Office and a range of other customers including 300 law firms, 250 accountants and 220 schools. As well as photo-copier paper the business now offers a full catalogue of office supplies, provides national distribution and last year made more than £100,000 for Mencap.

Bradley says he has developed the business by spending eight years poring through trade directories, writing to potential customers asking if Mencap can try to match the prices charged by their existing suppliers.

"Sometimes people get the wrong idea and send us donations for £10," he says.

"I write back explaining that we are not asking for their donations and sympathy, we are a business trying to trade with them.

"We operate on entirely businesslike terms and expect to get orders only if we can match or better the prices and service of other suppliers. Ours is a business which is raising funds for charity without asking people for money."

Open University starts management course for voluntary sector

Big demand for efficiency training

FAST-GROWING recognition of the need for greater efficiency is creating a demand for new management training packages designed specifically for voluntary organisations.

Since many charities do not enjoy staffing levels or financial reserves which enable them to release managers for long courses, the sector is one where distance and part-time learning techniques have a particular appeal. Last month the Open University entered what is likely to prove a large potential market with the first part of a training programme designed for people managing voluntary and non-profit organisations.

With little hard-selling the university found it easy to fill the 220 places available on the first presentation of the course last month.

The initial 220 students exceed the total number taking other courses with voluntary sector elements at colleges throughout the country. There will be a second opportunity to begin the course in March, and applications for places have to reach the Open University by mid-January.

The course is aimed at managerial, professional and other staff working in charities and people who have recently joined voluntary organisations from the private or public sectors. Take-up on the first course was wide-ranging – from Barnardo's, which has taken 15 places and is using the course as part of its in-house training strategy, to a lone community policeman in Scotland.

Many of the skills contained in conventional management training courses are included in a context relevant to the sector – like communication and time-management, handling people and managing resources and activities. The course will be followed in 1993 by another covering fund-raising and marketing activities, and it will be possible to combine them with other parts of the Open Business School programme to lead to professional certificates and diplomas.

Rob Paton, a lecturer in the Open Business School responsible for introducing the course, began developing the idea in 1986 after his work with co-operative organisations showed the need to augment the enthusiasm of many people working in non-profit organisations with structured management training. "Many of the people in our target group are highly educated – for example, 15 per cent of the market has higher degrees – but there is a widely demonstrated need for more training in management skills," he says.

The course's financial backers include the Home Office, BP and Allied-Dunbar. Its cost to individuals is £695 – not a trivial sum for many smaller voluntary organisations which, when under financial pressure, feel that the provision of services to clients must come before staff development.

So a publicity campaign is being mounted to urge grant-making organisations to help promote and finance good management and training in the organisations they fund. The campaign features enthusiasts such as Mr Robin Guthrie, chief charity commissioner, who says that good administration is "all the more desirable where charity is concerned".

Other courses aimed specifically at developing the skills of voluntary sector managers are likely to follow the Open University one.

Alan Pike

Hostels are changing, writes **Alan Pike**

More commercial

HOSTELS are going up market.

Britain's newest youth hostel opened in the London docklands last month, offering the style and many of the features of a modern moderately-priced hotel. Even the old dormitory image of youth hostels is changing – there are three 10-bedded rooms for big parties, but other bedroom configurations include 22 twin-bedded ones.

The new hostel is part of a development strategy by the Youth Hostels Association to modernise its estate and restructure the charity on more businesslike lines. It has launched a £40m development programme to improve hostel standards.

Part of the money will be raised by the proposed sale of up to 30 hostels. This has led to some protests but Mr Derek Hanson, the YHA's honorary general treasurer, says market research shows that today's hostel users expect higher standards.

"We are not running hotels. Youth hostels still provide simple facilities in relation to general standards of living, but we have to recognise that standards of living and public expectations change over the years."

Mr Hanson says the changes are being undertaken because the YHA had recognised the need for better marketing to maximise its income, but realised that it needed to improve its product in order to market it.

Another contribution to the development programme costs is coming from a £1 per night increase in all hostel prices. These now range from £4.70 in the lowest priced rural hostels to up to £16 in London.

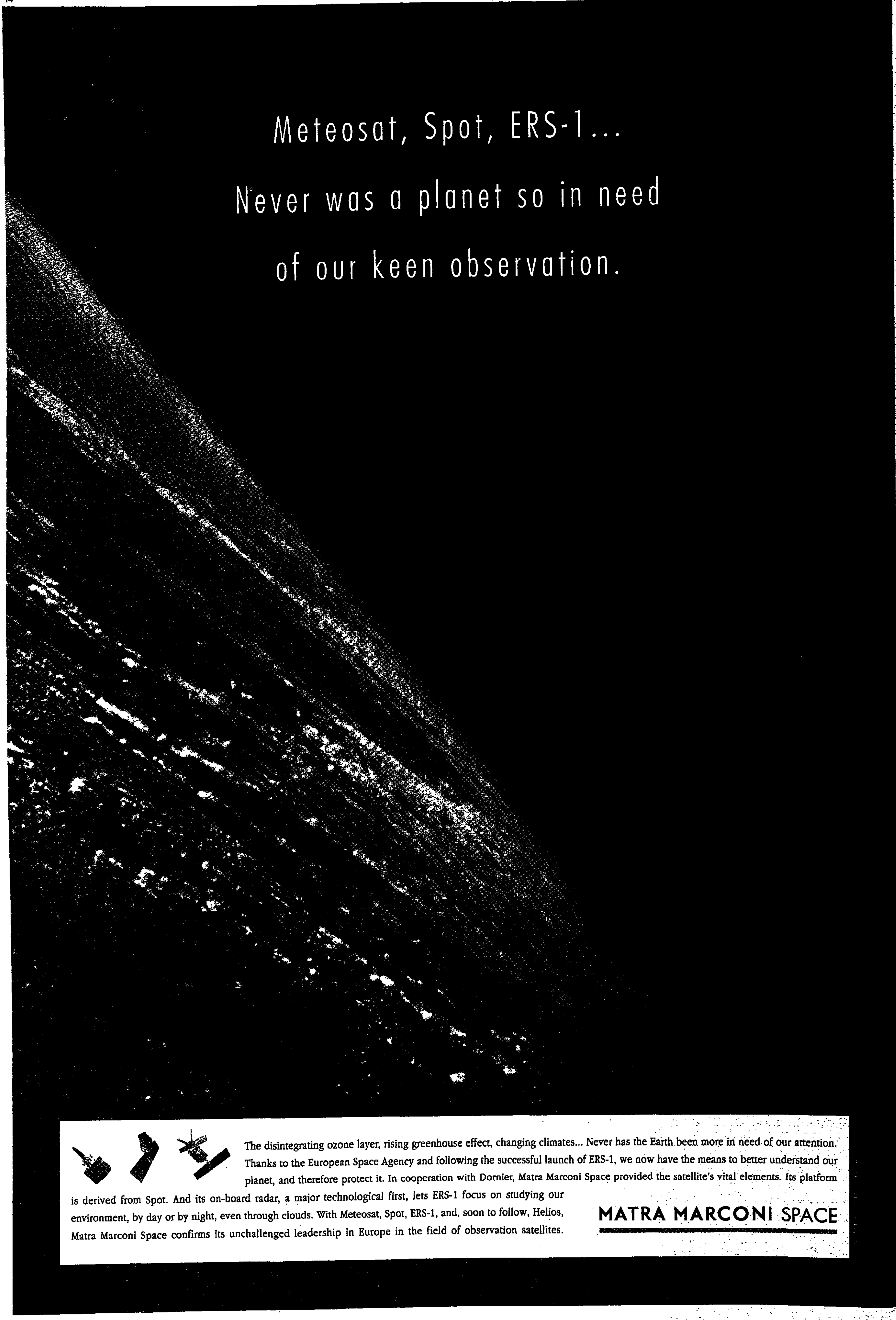
The YHA, once organised around 10 largely federal volunteer-run groups, has now changed to an executive director management structure supervised by a lay national executive council. "Volunteers still set the policy and decide the association's direction," says Mr Hanson. "But the day-to-day complexities and demands of running what is in effect a big modern business can no longer be undertaken by volunteers in their spare time."

Another of Britain's most famous hostel providers, the Salvation Army, is also moving away from the traditional dormitory image. Most new hostel provision – like its recently-opened women's hostel in Whitechapel, east London – will offer single rooms and self-catering facilities.

The Salvation Army is changing its approach to work among the capital's estimated 75,000 homeless people following a research study conducted by Surrey University.

In a bid to break the cycle of homelessness, a new objective will be to provide a wider range of services for the homeless including long-stay accommodation, day care, job search, training and advisory services. Greater co-ordination with other agencies is proposed, to ensure that people are referred to the public or voluntary service best able to assist them.

The Salvation Army is re-establishing a more visible presence on the streets of London. An outreach team will, in co-operation with other agencies, contact homeless people on the streets and co-ordinate advice and assistance.


Meteosat, Spot, ERS-1...
Never was a planet so in need
of our keen observation.
The disintegrating ozone layer, rising greenhouse effect, changing climates... Never has the Earth been more in need of our attention. Thanks to the European Space Agency and following the successful launch of ERS-1, we now have the means to better understand our planet, and therefore protect it. In cooperation with Dornier, Matra Marconi Space provided the satellite's vital elements. Its platform is derived from Spot. And its on-board radar, a major technological first, lets ERS-1 focus on studying our environment, by day or by night, even through clouds. With Meteosat, Spot, ERS-1, and, soon to follow, Helios, Matra Marconi Space confirms its unchallenged leadership in Europe in the field of observation satellites.
MATRA MARCONI SPACE

ARTS

CINEMA

Hulks, waifs and fiends

Let us see, what do we have for you this Christmas? A large ex-wrestler with balding blond head and leotards brings rough justice to Los Angeles in *Suburban Commando*. A wide-bodied Italian tenor is involved in several near-misses with passing divas in *Rigoletto*. A cow-eyed street waif comes face to face with human goodness in the sentimental *Curly Sue*. And in *The People Under The Stairs* vengeful domestic fiends tear and scream at a young black boy. Oh, and there is a two-year-old low-budget film, *True Love*, about pre-marital misery in the Bronx.

TRUE LOVE
Nancy Savoca

CURLY SUE
John Hughes

THE PEOPLE UNDER THE STAIRS
Wes Craven

SURBURBAN COMMANDO
Burt Kennedy

RIGOLETTO
Jean-Pierre Ponnelle

If this is Christmas, do we need Lent? The time has arrived, one feels, for all good film fans to come together. They should round-up British film distributors, line them against a wall and perforate them with pump-action Jeremiads. Year after year while America treats its December filmgoers with generation-spanning respect – this month our former colony welcomes a new Spielberg, a new Warren Beatty gangster epic, a new De Niro-Scorsese thriller and the best Disney animated feature in decades – Britain trundles out the old, the lame, the halt and the blind.

The problem is twofold. One: We do not produce enough of our own films to supply our own Christmas season. Two: We (or "they", the American distributors) have institutionalised an average minimum pause of several weeks between a film's opening in the US and its opening here. So no, you will not see Spielberg's *Hook* this side of the New Year, nor Oliver Stone's *JFK*, nor Warren Beatty in *Bugsy*, nor Disney's splendid *Beauty And The Beast* (that would have made all our Christmases), nor Robert De Niro giving grown-ups something to scream about in *Cape Fear*.

It is an absurd, incensing situation and I urge you to write to the filmic powers that be so we may all, this Christmas, join in a chorus of something more stirring and combative than "Good King Wenceslas".

The two-year-old film about the Bronx happens to be the best thing in sight. *True Love*, directed and co-written by Nancy Savoca, is a stormy love story that does for pre-nuptial romance what *GoodFellas* did for family togetherness. Michael and Donna (Annabella Sciorra and Ron Eldard) are the young impending marrieds who reckon without each other's foibles – her possessive romanticism, his beer-drinking male cronyism – and also without the counselling input of their friends and kinfolk. As only Italian Americans can, the latter yell, gabble and cajole their way into the couple's emotional lives, providing the platonic equivalent of a continuous *coitus interruptus*.

By the time the youngsters taxi up the aisle for romantic take-off, the fog is closing in and all bets are off as to the likelihood of departure and/or the success of the flight.

Savoca directs her first feature with a delirious humanism. The film is a family photo album that not only comes to life but keeps breaking out into fights. Disputes grow on every subject from whether there should be designer-blue mashed potatoes at the marriage feast to whether Michael should have have a last boozy evening with his pals on, yes, his wedding night. This cues the film's triumphant tragi-comic climax, when hero and heroine closet themselves in the ladies' room as their hour-old wedding threatens to explode at the seams. Hardly Christmassy, but at least the film is alive. And the performances are a joy.

★

Curly Sue, by contrast, is just the thing for Christmas: your worst enemy's Christmas. What better than a ticket for him or her to this schmaltz-prone tale of motherless little Sue (Alison Porter), her lovable street beggar father (John Belushi) and the rich, uppity blonde (Kelly Lynch) who takes the pair into her home after twice running them down with her flash car. The first time is an "accident" set up by Belushi; the second is real but, alas, non-fatal.

Home Alone's John Hughes here graduates from scripting the most successful comedy in film history to scripting and directing a large piece of non-biodegradable tosh. I have never seen a film in which so many people stare wistfully through snow-patterned windows into the night; or in which so many violins woo us into sentimental submission (composer Georges Delerue) as if we were captive diners in a gypsy restaurant.

Beneath the knockabout antics of Mr Belushi, sallying forth from Cardboard City to scam his way into three square meals a day, and the fun-loving inspirations of film-maker Hughes (I did like the scene in which a cordless telephone rings in an expensive eatery and everyone jumps up up crying "It's mine") dwells a story as icky as *The Little Match Girl*. For Sue, you see, is one of those girls who can spell "asphyxiate" but not "cat." Ergo, she can perform but she cannot function. At least until the film's finale when a true Christmas miracle is provided. Here Delerue's string section goes into overdrive, and those who have not yet reached for the exit door are expected to reach for their hankies.

★

The People Under The Stairs is inoffensive by comparison: a screamer from *Nightmare On Elm Street's* creator Wes Craven. A group of victimised children live under the floorboards and behind the wainscoting of a suburban house. They grab and tickle and waylay and ambush. They prowl the air-ducts and giggle heinously behind the fitted cupboards.

Black ghetto youngster Fool (Brandon Adams) joins a pair of local footpads planning to steal a trove of gold coins secreted in the old house: only to discover that the place is owned by by a mad marital double act (Everett McGill and Wendy Robie), who tyrannise over the said imprisoned brats.

Soon Rottweilers are lunging at us and McGill is crying "It is time to clean house!" as he zips himself into an all-leather outfit to hunt the concealed little folk. For further measure, assuming we require any, there is an abused stepdaughter and a persecuted mute boy. Alternating between the mildly original and the fiendishly silly, the film is an exercise in "What ever next?" suspense as much aesthetic as narrative.

Moving onward if not upward, we have wrestler Hulk Hogan starring in *Suburban Commando*. For this role Mr Hogan, playing an intergalactic warrior who crash-lands on earth when his spaceship runs out of fuel, wears thigh-tight leotards, a reinforced jock strap and metallic shoulder pads. Keen on accessorising, he also favours matching ray-guns in heavy metal and assorted wrist-straps, anklets and chokers. If he entered a gay bar anywhere west of Phoenix, Arizona, no one would even notice him.

Since he walks the streets by daylight all heads turn: except those of the audience which are drooping into a pre-slumber position. Directed by the once estimable Burt Kennedy (*The War Wagon*, *Welcome To Hard Times*), this tiring farrago also stars Christopher Lloyd and Shelley Winters, vainly piping for audience attention as the suburban couple with whom the Hulk boards.

At least there is Luciano Pavarotti, another and better hulk. The press show of *Rigoletto* was held after my deadline, so I can only judge the film by brief video excerpts I have sampled. They are enough. Can any sentient modern being resist the wide-girthed tenor who yields notes as sweet as the lark and as brazen as the lion? True, he resembles the "before" picture in an emergency dieting advertisement. But when was pasta ever put to finer use? See and enjoy. There can be no finer thing this Christmas.

Nigel Andrews

A.J. Langer in 'The People under the Stairs'

Beauty and the Beast

CENTRAL TELEVISION STUDIOS, BIRMINGHAM

Stephen Oliver's two-act opera *Beauty and the Beast* was first performed in 1984 in the cloisters of the Batignano Festival. A year later it was brought to St John's, Smith Square, in a much-reduced version of the Italian festival staging by Graham Vick. This week, City of Birmingham Touring Opera, of which Vick is artistic mainstay, are reviving the piece as their festive-season fare.

An utterly captivating, entrancing entertainment the director and his team have made of it. One of the empty studios in the Birmingham headquarters of Central Television (main sponsor of the production) has been commandeered and transformed. The large space is partitioned into four main scenic locations, designed by Jenny Jones and Timothy O'Brien, through which the audience is led in carefully shaped sequences matching the plot-progression.

So first we sit on benches round the perspex house of the merchant and his three daughters; then stand while his lawsuit in the city fails, and after that move through the forest (a real trees in tubs) to watch while the good fairy rescues him from the storm; and finally perch on canvas-stools around the raised-stage, hung with glittering glass (suspended wine-glasses, actually), decked with fountain-splashes and sudden jets of flame, which serves as the *Beast's enchanted palace*.

Stagings requiring audience peregrinations of this sort can be relied upon to heighten a spectator's sense of pleasurable involvement. This one has been devised and executed with fabulous economy, wit and attention to detail – the combination of panto-style visual jokes in plenty, old-fashioned romantic fancy and touches of aerial legerdemain (which drew happy gasps from the children in the audience) displays exactly the sort of theatrical flair of which Vick, at his best, is an assured master.

The work was conceived to be performed in just such "promenade" conditions as these; its realisation here is faithful – though (I guess) far more spectacular than the original – and does everything to draw out the magic in the work itself. I attended the 1985 St John's performance, and was misled by its limitations into underrating the opera. I now repent the error of my ways: Oliver's acuteness and fluency of theatrical command have seldom been more vividly evidenced.

The basic material is not Perrault but a story by Mme Le Prince de Beaumont, treated by its composer-adapter as both an unfolding narration (complete with interjections of "he said" and "she replied" neatly folded into the vocal lines) and a firmly-structured chamber-opera for a sextet of singing-actors and small orchestra. Oliver's idiom – slender, erudite, highly allusive, with its roots in the early Italian opera composers, the English madrigalists and Britten – weaves a web of gossamer; it needs such space as it has here acquired to show the strength, as well as the fineness, of its motivic skeins.

The CBTO Orchestra perform brilliant feats under Simon Halsey. The six principals – Katherine Steffan (Beauty), Omar Ebrahim (Beast), Amanda McMurray (Fairy), David Marsh (Merchant), and Margaret Preece and Helen Walker (Wicked Sisters) – are all virtuosos of the space and the required style. Tuesday's audience, by no means the usual collection of modern-opera cognoscenti, was plainly spellbound. And so was I.

Max Loppert

Blood Wedding

COTTESLOE

In less than a month the National Theatre has welcomed on to the smallest of its three stages the work of two leading black directors, Jatinder Verma and Yvonne Brewster. With Mustapha Matura's bellicose satire *The Coup* running for another couple of weeks, the Cottesloe has briefly become a showcase for the country's burgeoning black theatre establishment, demonstrating the variety of voices that is now being heard from this increasingly clamorous sector.

Jatinder Verma, the Kenyan Asian founder of Tara Arts, offers a secular Sanscrit classic *The Little Clay Cart*, which was reviewed on this page by Andrew St George. The West Indian veteran Yvonne Brewster follows it with a touring production of Lorca's *Blood Wedding* which continues a tradition in Brewster's own Talawa of colonising Western classics. (Mona Hammond, who plays the Mother here, gave a delectable Lady Bracknell with Talawa a couple of years back.)

Whereas Verma is a miniaturist who etches in acid, Brewster brushes her canvas with great freehand strokes. Her *Blood Wedding* is set in a pre-revolutionary Cuba of ceaseless linen and plump cigars, where marriages are calculated on crop yields. The bride's father grows cassava while the bridegroom's mother has tobacco and sugar cane plantations. The bride is of stiff white Hispanic stock, while both her groom and her lover, Leonardo, are black.

Hammond's feisty matriarch stops in mid-weep to flirt with her son, a charmingly unwimpish Cyril Ikechuwu Nri who looks distinctly sheepish at mention of his prized virginity; Gary McDonald's Leonardo sweeps his pregnant wife off her feet when she protests about his infidelity.

So far, so good. Lorca's tragedies revolve around the conflict between duty and inclination, the individual and his (or, more often, her) society, so it makes sense to have a white father swallowing his prejudices to marry his daughter into a black family who happen to be richer than his own. It also makes sense that Helen McCrory's rigid and dutiful Bride should have a passion for the unfettered sexuality of Gary McDonald's Leonardo – a hunk who sees no reason why he should not make love to his wife at the same time as pursuing an old flame.

Where the show begins to go wrong is in its grasp of the inexorable oppositions of Lorcan tragedy. The mood is earthy, colloquial, even funny, but it does not offer a clear line through the poetic topsoil of the play. Catholism, in an opening "Kyrie", is shown to have gone native: sexy African stomps merge with the latin refrains; keening lullabies are a part of everyday life, but the notoriously tricky third-act *masque of the moon and death*, remains flatly spoken – surely a missed opportunity.

Here, the Moon appears as a tatty totem pole: one actor sitting astride another's shoulders like a straggler at a carnival. Denied a poetic context, groom and lover collide and tumble over backwards, leaving Hammond to reclaim what dignity she can from the lingering final speeches of despair and loss. This she does admirably, for one thing this short Cottesloe season makes quite clear is that there is no shortage of strong black actors.

Claire Armitstead

Alastair Muir

Mona Hammond

Mahler and more in London and Birmingham

As London Mahlerians know very well, the Philharmonia and their unsurpassed Chorus have a great track-record in the "Resurrection" Symphony, and accordingly on Tuesday at London's Royal Festival Hall they drew a full house. Furthermore, they had Lorin Maazel as conductor. If his cool, workmanly temperament doesn't excite universal empathy, his thorough understanding of Mahler's nuts and bolts is beyond question; and mechanical fine-tuning is crucial for doing justice to Mahler's boldest inspirations, which could scarcely have suggested themselves to any composer who wasn't himself a master-conductor.

The whole symphony rose, eventually, to spine-tingling heights – thanks in great part to the voices, not only the resplendent chorus but the soloists Linda Finnie and Susan Dunn. In the earlier three movements, without voices, Maazel had offered us the results of very intelligent calculation. After an arresting start, the Allegro maestoso had been duly arrested: Maazel made it a grim, knife-edge *Andante* maestoso instead, with ample breadth for sharply polished details to tell. They were faultlessly idiomatic details, but also highly self-conscious, which things might be thought contradictory in Mahler.

Still, there are arguments which go the other way. Though nothing much like a spontaneous thrust was felt in any of the three orchestral movements, Maazel's deliberateness had its excuse in precisely wrought phrasing, significantly weighted entries by this and that instrumental group, unconcealed relish for the string-writing. Everything was on show, all the undertones (especially in the mock-innocent *Ländler*) and ironies (in the crypto-sinister Scherzo) rendered plain and up-front. That was perhaps a "second order" pleasure, accessible chiefly to jaded critics.

The dramatic temperature rose immediately with the entry of Miss Finnie, whose rich sincerity in the "Urlicht" struck to the heart at once. Later Miss Dunn offered no less, but it seemed odd of Maazel to engineer the offstage brass effects to near-perfection whilst planting his soprano in the foreground – contrary to Mahler's express instruction that her voice should emerge and ascend from the choir. As the Finale gathered impetus, however, any sense of contrivance melted away. The chorus were wonderfully unanimous and committed, and Maazel's stretched-out scale became majestic. It was thrilling to hear; and the symphony overran its end-time, as predicted in the South Bank brochure, by a good 40 minutes. I fear that concertgoers who booked their Computa-Cabs in advance may be gravely out of pocket.

David Murray

Simon Rattle and the CBSO have already made two live recordings intended for commercial release by EMI – *Nicholas Maw's Odyssey* was released earlier this year, and Mahler 7 is promised for next autumn. This week in Birmingham's Symphony Hall they have been playing Mahler's First Symphony with the same purpose in mind, public performances on successive evenings that will be grafted together to produce the final disc. On the evidence of Tuesday's concert that should be worth waiting for; Rattle's grasp on Mahler's symphonic structures grows ever more sure, and his broad, unruffled pacing of each movement demonstrates a complete faith in the tonal resources of his orchestra.

Hearing the CBSO for the first time in its new home (my earlier visits have taken in guest orchestras) is to be struck by the refinement that Rattle has achieved in every section. The brass playing was astonishing throughout the symphony, not just for its absolute security but in the precision of the phrasing and depth of tone. The curtain-raising gestures that characterise the work were prepared immaculately; the drama was intense yet never overblown, each detail precisely focussed.

It made for an unusually relaxed account of the work, sometimes almost staid in the scherzo; the moments of theatricality became crucially important in providing a structural backbone. But Rattle's clarity of purpose became clear in the finale, which was graded in carefully balanced terraces and finally crystallised in marvellously lucid fortissimo textures; even playing at those dynamic extremes, neither the hall, nor the orchestra could be faulted.

In a programme that was in every way one of the orchestral highlights of the year, the symphony had been preceded by Berlioz's *Harold in Italy*. Yury Bashmet was the soloist there, apparently reticent and detached until his wonderful outpourings of viola tone in which every shade and nuance made its mark with the minimum of fuss. Rattle provided the most tactful accompaniment, and took off on the orchestral sorties with carefully controlled energy; it was an ideal partnership, as searching and poetic account of this hybrid piece as could be imagined.

Andrew Clements

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Thomas Hengelbrock conducts the Freiburg Baroque Orchestra and Netherlands Chamber Choir in Bach's *Christmas Oratorio*. In the Kleine Zaal, the Talich Quartet plays string quartets by Mozart, Beethoven and Janacek, also Sat (6718 345)
Beurs van Berlage 20.15 Jac van Steen conducts the Netherlands Philharmonic Orchestra in music by Sibelius, Tchaikovsky and Nielsen, repeated tomorrow. Sat: Nieuw Sinfonietta Amsterdam. Sun afternoon: piano recital by Vladimir Viardo (6270 466)

■ BERLIN

Schauspielhaus 20.00 Jorg Faerber conducts the Württemberg Chamber Orchestra in music by Mozart, Stamitz, Bach and Corelli, with Barbara Hendricks. Tomorrow: Mozart's arrangement of Messiah. Sat: Bach's Christmas Oratorio. Sun: Bach's B minor Mass (East Berlin 2272 261)
Philharmonie Kammermusiksaal 20.00 Bernard Haitink conducts the Berlin Philharmonic Orchestra in music by Mozart, Dvorak and Haydn, also tomorrow. Sat: Berlin Baroque Orchestra. Sun: Bach cantatas (West Berlin 2614 383)
Komische Oper 19.00 Wolfgang Rennert conducts Christine Mielitz's production of Die schweigsame Frau, with Siegfried Vogel as Morosus. Tomorrow: Yehudi Menuhin conducts the Philharmonia Hungarica in music by Haydn and Dvorak. Sat and Sun morning: Vladimir Ashkenazy conducts the Berlin Radio Symphony Orchestra in music by Mozart and Rimsky-Korsakov. Sun evening: Handel's Giustino starring Jochen Kowalski (East Berlin 2292 555)
Deutsche Oper 19.30 Hansel and Gretel, also Sat. Tomorrow: Valery Panov's production of Romeo and Juliet. Sun: Christian Thielemann conducts Lohengrin, with a cast led by Thomas Moser, Ekkehard Wlaschiha, Eva Johansson and Eva Marton (West Berlin 3410 249)

■ ANTWERP

De Vlaamse Opera
Tomorrow is the first night of Robert Carsen's new production of Tosca, conducted by Silvio Varviso and designed by Anthony Ward. The title role is sung by Karen Huffstodt, Cavaradossi by Fabio Armillato and Scarpia by Falk Struckmann. Next performance on Sun at 15.00, also Dec 27, 29, Jan 2, 4, 7, 10 (233 6685)

■ BOLOGNA

Sala Europa 21.00 Lyon Opera Ballet in Maguy Marin's production of Cenerentola. Tomorrow and Sat in Chiesa di S. Domenico: Valery Gergiev conducts the Orchestra and Chorus of the Teatro Communale in Stravinsky's Symphony of Psalms and Mozart's Requiem (529999)

■ CHICAGO

Orchestra Hall 20.00 Pierre Boulez conducts the Chicago Symphony Orchestra in Ravel's Valses nobles et sentimentales and Une barque sur l'ocean, plus Bartok's complete ballet music to The Wooden Prince. Repeated tomorrow and Sun at 15.00 (435 6666). Tomorrow at Civic Opera House: Lyric Opera production of Madama Butterfly, with Catherine Malfitano. Sat afternoon: L'elisir d'amore (332 2244)

■ DRESDEN

Tonight and tomorrow at 20.00 in the Kulturpalast, Claus Peter Flor conducts the Dresden Staatskapelle in Mendelssohn's Lobgesang Symphony and Mozart's Concerto for two pianos, with Rolf-Dieter Arens and Gerald Fauth. Tomorrow in the Semperoper: Ariadne auf Naxos. Sat and Mon: afternoon and evening performances of Hansel and Gretel. Sun: two new ballets by Johannes Bönig, with music by Barber, Bruckner and Stravinsky (4842 731)

■ LONDON

MUSIC
Covent Garden 19.00 Last performance this season of Mozart's Mitridate, conducted by Hartmut Haenchen with a cast including Jochen Kowalski and Ann Murray. Tomorrow: Le nozze di Figaro. Sat and Mon (matinee and evening performances on both days): Mark Ermler conducts Peter Wright's Royal Ballet production of The Nutcracker (071-240 1066)
Coliseum 19.00 Graham Vick's ENO production of Le nozze di Figaro. Tomorrow: Rimsky-Korsakov's Christmas Eve. Sat matinee and evening: Die Fledermaus (071-836 3161)
Barbican 19.15 Richard Hickox conducts London Symphony Orchestra and Chorus in a programme of Christmas classics, also tomorrow. Sat and Sun: the Labeque Sisters take part in an LSO concert including Saint-Saens' Carnival of the Animals (071-638 8891)
DANCE
Queen Elizabeth Hall 19.45 MacLennan Dance and Company in London premiere of Continental Drift, Sue MacLennan's latest work. Fri and Sat: Jiving Lindy Hoppers, Britain's leading authentic jazz dance company in a tribute to the epic American dance marathons of the late 1930s. Next week: English National Ballet opens its Christmas production of The Nutcracker (071-928 8800)
Sadler's Wells 19.30 London City Ballet production of Swan Lake. Runs till Dec 31 (071-278 8916)

■ MILAN

Teatro alla Scala 19.00 Riccardo Muti conducts Cesare Lievi's production of Parsifal, also Sun afternoon. Tomorrow, Sat afternoon and Sat evening: John Cranko's production of Romeo and Juliet (7200 3744)

■ NEW YORK

Metropolitan Opera 20.00 James Levine conducts the world premiere of John Corigliano's new opera The Ghosts of Versailles, with a libretto by William Hoffman. The staging is by Colin Graham with decor by John Conklin. The cast includes Teresa Stratas, Marilyn Horne, Graham Clark, Gino Quilico and Hakan Hagegard (next performances on Mon and Thurs next week). Tomorrow: Aida. Sat: Entführung (362 6000)
Avery Fisher Hall 20.00 Erich Leinsdorf conducts the New York Philharmonic Orchestra in Stravinsky's Apollon Musagete, Mozart's German Dances K509 and Jupiter Symphony, and scenes from Strauss' Daphne, with Carol Vaness. Repeated tomorrow and Sat (875 5030)

■ PARIS

Centre Pompidou 20.30 World premiere of La Place de la Republique, opera by Arnaud Petit (b1959). Mark Foster conducts the Ensemble InterContemporain, in a staging by Marina Bianchi and Arnaud Petit. Repeated tomorrow and Sat (4260 9427)
Théâtre des Champs-Elysées 20.30 Charles Dutoit conducts the Orchestre National de France in a programme of music by Henri Dutilleux: the Cello Concerto with Lynn Harrell, the Violin Concerto with Pierre Amoyal and the orchestral work Timbres, Espace, Mouvement. Tomorrow at Versailles: Lully's Alceste (4720 3637)
Opéra Bastille 19.30 Myung-Whun Chung conducts Yannis Kokkos' production of Boris Godunov, with Paata Burchuladze in the title role, Sergey Martinov as Pimen, Vitaly Tarachenko as Dmitry and Aage Haugland as Varlaam. Runs till Jan 20, with next performances on Sat and Tues. Tomorrow and Mon: Die Zauberflöte (4001 1616)
Châtelet 21.00 Stephane Grappelli Trio. Tomorrow: Michel Legrand Trio. Also daily performances of West Side Story at 20.30 in the main theatre, with matinee and evening performances on Sat and Sun (4028 2840)

■ ROME

Teatro Olimpico 21.00 Andras Schiff plays three Schubert piano sonatas (3234 890)

■ VIENNA

Staatsoper 19.30 Jan Latham-Koenig conducts Il barbiere di Siviglia. Tomorrow: La bohème with Katia Ricciarelli as Mimi. Sat: Carmen. Sun: La traviata with Alfredo Kraus (51444 2960)
Volksoper 19.30 Prokofiev's ballet Cinderella. Sat: Donald Runnicles conducts first night of Christine Mielitz's new production of Lady Macbeth of Mtsensk, with a cast led by Rebecca Blankenship (51444 3318)
Musikverein 19.30 Artis Quartet plays string quartets by Mozart, Webern and Beethoven. Sun at 11.00: Nikolaus Harnoncourt conducts the Concentus Musicus Wien and Arnold Schoenberg Choir in music by Mozart. Sun at 19.00: Ingo Metzmacher conducts the Austrian premiere of Schreker's opera Christophorus, with a cast including Roland Hermann, Luana DeVol and Eva Randova (505 8190)
Konzerthaus 19.30 Elisabeth Leonskaja plays piano music by Chopin. Sun: Adam Fischer conducts the Vienna Chamber Orchestra in a concert performance of Mozart's Il re pastore (7124 6860)

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(all times CET)

MONDAY TO FRIDAY

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
2130-2200 (Thurs) Talking Heads - international issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
1800-1830 World Business This Week

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The EC and Yugoslavia

EUROPEAN COMMUNITY foreign ministers agreed this week on criteria to be fulfilled before recognising those Yugoslav states seeking their independence. They include commitment to the rule of law, democracy and human rights – as laid down by the UN, the Helsinki Final Act and the Paris Charter – as well as guarantees of ethnic and minority rights and the inviolability of frontiers.

The list was drawn up as part of a compromise deal under which Germany agreed to delay its plans to recognise the breakaway republics of Slovenia and Croatia. It now expects to do so after January 15 along with the rest of the Community. This agreement avoided a damaging public split at the first EC foreign policy debate after the Maastricht summit's call for a common foreign and security policy.

Having persuaded its partners to extend conditional recognition to Yugoslavia's breakaway republics however, Germany now has an obligation to abide by the agreed rules. In theory only those republics which fulfil the EC requirements will be eligible for recognition. It would make a mockery of this agreement if Chancellor Helmut Kohl were to announce German recognition of Slovenia and Croatia today, effectively without conditions and with only a formal delay until January 15.

The EC's criteria for recognition were hastily assembled to prevent Germany acting in isolation; whatever their defects, they must now be taken seriously if the EC itself is to have a serious role in Yugoslavia's future. The EC's position also has the merit that it recognises that the violation of minority political and ethnic rights lies at the root of inter-ethnic violence in Yugoslavia and areas like Nagorno-Karabakh in the old Soviet Union.

Huge gap

This cannot, however, conceal the huge gap which lies between the EC criteria and the reality of authoritarian government and primeval passion on the ground. Given this, the EC, alongside the UN, must, however hopelessly, continue to put most of its energy into trying to stop the fighting.

The EC and the UN accept that Serbia and the Serbian-controlled federal army bear the main responsibility for the intensity and the spread of fighting over the last six months. A recent report by EC observers provided a damning indictment of a cowardly army, which terrorised civilians and gave thinly disguised support for even worse-behaved Serb irregulars.

Oil embargo

Unfortunately, attempts to impose a UN oil embargo have fallen foul of opposition from the neutral and non-aligned countries. This should not stop the EC from pressing member countries, like Greece, or aid recipients, like Romania, to block Serbian access to oil through their facilities.

More drastically, neutralising the air and naval superiority of the Serbian-Yugoslav armed forces may have to be considered if the army is to be forced to abandon its military objectives on land. The most direct way of achieving this would be to empower the European Union, the *de facto* military arm of the EC, to lift the naval blockade on Croat ports or to ground the Yugoslav air force. But these would constitute acts of war, which most EC governments are not yet ready to contemplate. Such measures would be legally and politically easier to justify, however, once Croatia was recognised. That is the implied threat which Serbia sees in the EC position.

If, as seems regrettably likely, the EC recognises Croatia, regardless of that republic's probable failure to meet the criteria, it must recognise the danger that a desperate Serbia would then extend the fighting into Bosnia Hercegovina and other republics. The army may have been weakened by the reluctance of conscripts to fight such a dirty war and by the accelerating collapse of a Serb economy. But it has 100,000 men and much equipment ready for use in the ethnically mixed republic. The Bosnian government has asked for a UN peace keeping force to prevent the war spreading. In the end, recognition is peripheral to the task of stopping a war to which too many Yugoslavs are now dedicated.

Cutting costs in cars

THE CHALLENGE of cutting costs at the top of the world's motor industry is growing ever more pressing. The latest action by General Motors in the US and Volkswagen in Germany illustrates how two premier players in the automobile league are taking different routes in the drive to salvation.

GM, in the thick of an increasingly desperate 12-year struggle against adversity, is expected to report losses of more than $2.5bn in 1991, with north American auto activities likely to show an operating deficit of $6bn. The world's biggest car company is plainly in a far worse position than Volkswagen, where group 1991 earnings are likely to remain around last year's DM 1.1bn level.

There is, however, a link between yesterday's announcement of GM's sweeping programme of job cuts and plant restructuring, and VW's confirmation of plans to transfer the last batch of its small-car Polo production from Germany to Spain. Both companies are among the highest-cost producers in their prime geographical markets. For different reasons, both have in the past not faced up fully to the task of trimming production costs. Unlike its rivals Ford and Chrysler, GM has not until now had radical streamlining forced upon it by a financial crisis; while VW has enjoyed extraordinarily favourable conditions in the buoyant German car market during the last two years.

Economic pressures

As the US struggles to emerge from recession and the reunification-induced German upswing starts to fade, the economic pressures on both producers are now starting to converge. Whatever Volkswagen's success in increasing the gap with Fiat and other large-volume European producers in the past few years, both GM and VW are similarly vulnerable to competition from lower-cost, high-technology Japanese manufacturers now gearing up for a frontal assault on European markets.

Volkswagen's decision to shift all its small-car production outside Germany is the conclusion of the strategy embarked upon when it acquired the Spanish Seat company in 1986. Already, out of the company's daily output of 1,700 Polos, only 500 are produced at its Wolfsburg headquarters.

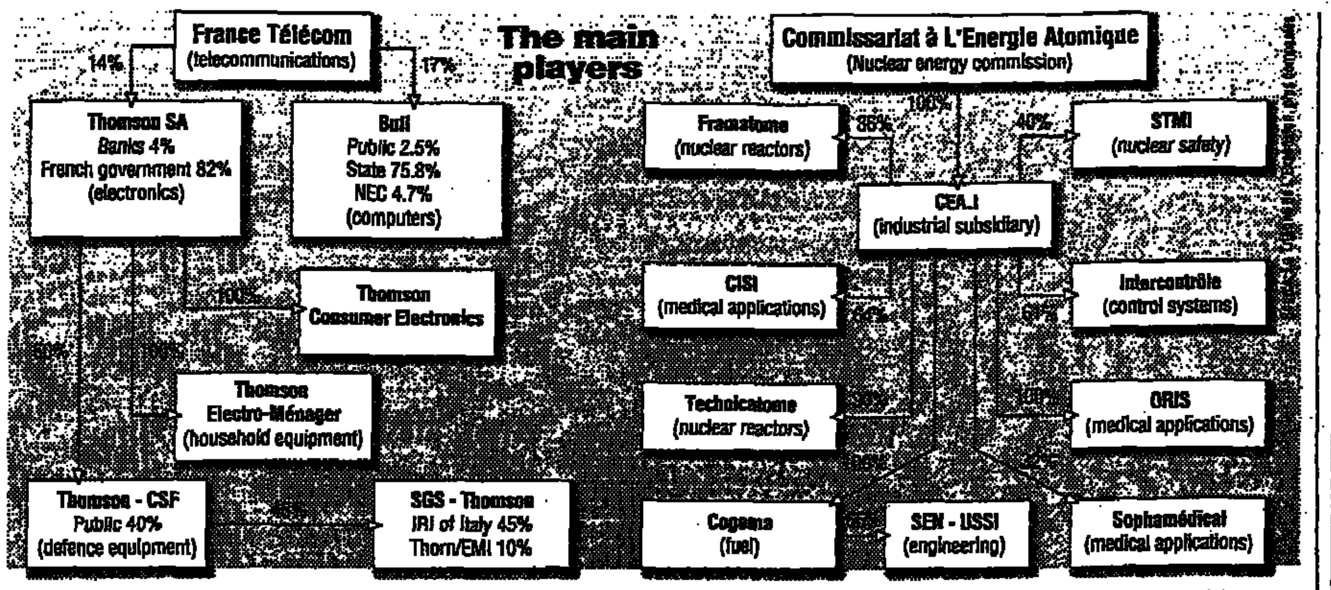
Underlining how Volkswagen is gradually becoming a US-style global car-maker, roughly half its world output already comes from outside Germany. Shrugging off the setback of the attempt, ignominiously ended during the 1980s, to transplant car production to the US, VW now produces cars in Spain of the same quality as in Wolfsburg. Among VW's principal competitors in the small car market are GM and Ford models manufactured in Spain, where overall wage costs are only two-thirds the German level.

Investment magnets

If VW succeeds in permanently achieving German-style social and production conditions in Spain's relatively low wage environment, that would also have effects going well beyond the car industry. It would demonstrate that southern European countries which adopt the EC's social charter can still act as magnets for foreign investment.

Volkswagen plainly aims to reproduce elsewhere its success in transferring the made-in-Germany quality tag to the Iberian peninsula. A considerable part of the company's recently announced DM 51bn spending plans for capital investment in the car industry over the next five years will reflect expansion abroad. The campaign by German trade unionists to achieve Wolfsburg-style wage levels by the early 1990s at VW's new manufacturing plant under construction in east Germany can only strengthen pressures for production to move abroad in other areas of German industry as well.

As European manufacturers examine the road map for the 1990s, there are lessons to be learnt from the trial and error experiences of General Motors in the past few years. The US has been the main battleground during the 1980s for the fight with Japanese vehicle competition, but the scrap is now poised to move to Europe. GM's traumas will help its European competitors to be better prepared.



William Dawkins on new French industrial policy

Cresson's champions

Has France's economically liberal Socialist government gone back to the bad old days of central industrial planning? From the evidence it looks very much as if it has.

Mrs Edith Cresson, the prime minister, yesterday confirmed the recent disclosure by Mr Dominique Strauss-Kahn, the industry minister, that the government was drawing up an ambitious scheme to merge some of France's most important state-controlled technology companies. The first of these will create a FFr90bn turnover giant, to be called Thomson CEA Industries, dominant in electronics, nuclear energy and biotechnology.

Mrs Cresson stressed that the reason behind the reshuffle was primarily to strengthen a group of public sector national champions to compete with private sector equivalents such as Siemens of Germany and Toshiba of Japan. She has always advocated a vigorous industrial policy, but has been hampered by the importance of keeping the budget deficit of just under FFr100bn under control. This project, however, could flourish without calling directly on the public purse.

It will nevertheless run into fierce political resistance from the right-wing opposition, which is devoted to privatising state-owned companies rather than bolstering government involvement in industry. Financing could prove a further problem: just how much the scheme will cost is not clear, but one of the main groups involved has debts of FFr10bn and another estimates that it needs at least $500m to become competitive.

More important, Mrs Cresson has met strong resistance from the European Commission's competition authorities. It came as no surprise yesterday that the Commission confirmed it will take a close look at the scheme and might have doubts over hidden subsidies lurking in the structure.

The far-reaching nature of the project is a response to several important worries. First, the government's freedom to provide direct subsidies to loss makers is being increasingly curbed by the Commission, which has forced it to freeze FFr6bn worth of fresh capital for Bull, the loss-making computer group, and Thomson, the consumer and defence electronics company. On the other hand, the Commission has authorised the use of state banks to provide capital for government-owned industry, as when it cleared a FFr2.5bn capital injection for the steelmaker Usinor Sacilor by Crédit Lyonnais. The French government could well take this to mean that it is free under EC regulations to cross-subsidise between different parts of the public sector – just as a private conglomerate might channel profits from one subsidiary to another.

Second, the French government is painfully conscious that the small size of its high-technology companies has constrained their ability to negotiate life-saving international alliances, along the lines of the marriage between Renault and Volvo, in cars and trucks. A huge technology group might be a stronger and more attractive partner than a small one – and Mr Strauss-Kahn emphasises that the equity of the new group would be open to private corporate investors.

Third, the temptation to return to a strong national industrial policy can only have been increased by the Maastricht summit, where proposals for a European policy were watered down, sprinkled with references to free competition and made subject to unanimous voting rules. This only confirmed most EC member states' decreasing faith in the usefulness of Community schemes, like Esprit, the EC information technology project, to boost cross-border technology ventures. But it was still a keen disappointment for the French government.

Finally, rising unemployment imposes obvious pressure on the government to defend industries in trouble. Joblessness, currently at 9.7 per cent, is well above the average for countries in the Organisation for Economic Co-operation and Developmnent and poses a serious political problem for the socialists as they approach regional elections next year and a general election in 1993.

All these concerns have found expression in Mrs Cresson's plan. The foundation stone of the structure – the final design of which will be published by February 1 to come into effect in the first half of 1992 – is CEA-Industrie, the profitable industrial division of the Commissariat à l'Energie Atomique, the atomic energy authority. It will take control of two subsidiaries of Thomson: Thomson Consumer Electronics (TCE), its main loss-maker, and SGS-Thomson (ST), its capital-hungry semiconductor-making unit.

The aim, said Mrs Cresson, is to create a group in which the stability of the nuclear industry would counterbalance the short product life cycles and sharp market changes of the electronics business. This would help France to avoid missing out on the early development of new products, as it had done in hand-held video cameras, she argued.

"This set-up resembles exactly what has been done by some of our big competitors," she told parliament yesterday.

Mr Jack Lang, government spokesman, yesterday greeted the move as "a modern conception of the role of the state shareholder" and one of the biggest works of national industrial engineering since the creation of Elf Aquitaine, the oil and gas group, in 1976.

It marks what looks like a durable, though not unexpected, return to intervention from a government that seemed devoted to withdrawing from the public sector, with its partial privatisations.

The overall project is said to incorporate two similar plans; one for Bull, the loss-making computer group, which Mrs Cresson would like to see brought closer under the wing of the profitable France Télécom; and another for France's aerospace companies, troubled by falling defence sales.

The company chairmen involved were closeted in a meeting with Mrs Cresson yesterday afternoon to hear the details. Government officials complain that they were forced by Mr Strauss-Kahn's disclosures, in an interview with the Financial Times, to announce the details early.

But already, the scheme has drawn criticism. "Dream or nightmare?" asked one French newspaper. It saw the plan as a plot to switch cash from profitable state-owned companies into loss makers, a covert subsidy scheme. "You can't solve these companies' problems by robbing Peter to pay Paul," said a computer group director.

In this case Peter is CEA Industrie – fully owned by CEA – which last year made a FFr1.7bn profit on sales of FFr30bn. Most of its earnings come, in equal proportions, from Framatome, a nuclear reactor builder in which it has a large minority stake, and from fully-owned Cogema, which reprocesses and enriches nuclear fuel.

CEA Industrie is expected to take over from the state as the direct owner of Thomson, the holding company which embraces Thomson Consumer Electronics, a majority of the profitable Thomson-CSF defence electronics company, plus a 45 per cent of SGS-Thomson, in which IRI, the Italian state-holding company, is the other main shareholder (see chart above.) Thomson-CSF would be separated out and become directly state-controlled, and would continue, as now, to have 40 per cent of its shares quoted on the stock exchange. No other leading electronics company puts civil and defence activities under the same roof, Mrs Cresson argued yesterday to justify the separation.

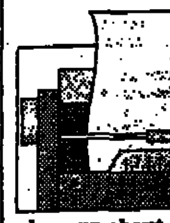
That would leave CEA-Industrie with Thomson Consumer Electronics, which lost FFr2.7bn net last year and has debts of more than FFr10bn, though these are expected to be wiped out or rescheduled in the reorganisation. Then there is SGS-Thomson, which is breaking even on a quarterly basis, but needs to multiply its annual sales more than six-fold to $10bn by the end of this decade if it is to survive.

The French government is taking a big risk in getting such an artifical and labyrithine structure to stand up. Neither Toshiba nor Siemens were built to a civil servant's blueprint. Yet for all its eccentricity in the eyes of those who are against government meddling in industry, the creation of a massive French technology group might be quite a vote-catcher at a time when nationalism is re-emerging as an attractive idea.

PERSONAL VIEW

Bleak tales from home

By Cliff Pratten



The rise in repossession of homes and in homelessness are distressing symbols of the recession. But amid the clamour about the state of the housing market, it is worth taking another look at just how the present slowdown came about – in particular at the complex relationship between house prices and consumer expenditure.

An analysis of regional changes in house prices and consumer expenditure during the 1985-89 boom shows that house price increases did contribute to the expansion in consumption but the relationship was not as tight as expected. The role of house prices over the same period and during the present recession has been exaggerated. The repossession of homes is a symptom not a cause of the recession.

Between 1985 and 1989 real consumer expenditure rose by 24.2 per cent, real personal disposable income increased by 20.7 per cent, and house prices shot up by 67 per cent in real terms. The trends shown by these national statistics are clearly compatible with the idea that rising house prices contribute to increases in consumption. Nevertheless, these statistics do provide a cautionary note about the importance of house prices; real consumer spending increased sharply, by 6.3 per cent, between 1985 and 1986 at a time when real house prices were also rising. However over the broader period of 1981-85, real house price inflation had been very slow.

The pace of house price increases was uneven across the country during the 1980s. House price inflation started in London, spread to other southern regions and then moved north and west. These regional differences in timing provide an opportunity to test whether house price changes had an effect on consumption. Over the period 1985-86 per capita consumer expenditure in the south-east increased by 6.6 per cent and real house prices by 15.4 per cent, while in the north-west consumer expenditure rose by 7.3 per cent and house prices by only 4.4 per cent.

A comparison of house price increases and per capita consumer expenditure between 1985 and 1988 for each region demonstrates that there is a positive relationship between the two. Areas with the most rapidly increasing house prices tend to have the fastest growth of consumer expenditure. However, the relationship is loose: the north-west and the Yorkshire and Humberside regions are exceptions with rapid growth in consumption, but moderate relative house price increases.

What are the caveats to these comparisons? The unreliability of regional consumption statistics is one source of qualification. Another possibility is that regional time lags are complex. For example, people in the regions first affected by rapid increases in house prices may respond after a lag by increasing consumption; but people elsewhere may respond with a shorter time lag because they are *expecting* the increase.

If increases in house prices were not so important in causing the consumption boom of the 1980s, how is the boom to be explained? One explanation is that there was a general "euphoria effect". Factors which contributed to this euphoria included the contrast between, on the one hand, the persistent expansion of output from 1981 and the slow-down in inflation during the 1980s, and on the other, the erratic growth of output and unstable and record rates of inflation during the 1970s.

Rising share and house prices were in part a symptom of the euphoria and contributed to it. Given the large proportion of consumption expenditure which is now discretionary, such as cars, expenditure on which can be brought forward by borrowing or delayed, such euphoria effects, or their reverse, could be very important.

The buoyancy of share prices prior to the equities crash in 1987, and the strength of the takeover market in the late 1980s, suggest investors and industrialists were generally optimistic about the future and this probably applied to consumers as well.

If these factors are important, then they raise problems for the management of the economy because they introduce a degree of instability as impulses to the economy may have disproportionate effects.

The chancellor recognises this in his frequent references to confidence. The experience of the 1980s suggests euphoria builds up in response to economic impulses and changes in the economy. If optimism affects consumption then, perhaps, euphoria among consumers can collapse as it can – and did – for investors.

Dampening a boom without setting off a sharp decline in demand requires sensitive use of interest rates and/or tax changes. If the economy is allowed to sink into a recession, then the gloom effects might require the authorities to apply strong expansionary policies. The difficult task now is to design policies to expand demand and revive confidence within the constraints on economic policy.

The author is a research officer at the department of applied economics, University of Cambridge.

OBSERVER

Lonrho's sweetener

■ Unlike Lord Hanson, Lonrho's Tiny Rowland shows no sign of bending under the wind of City fashion. Whereas Hanson makes an effort to meet the City's criticisms of his managerial style, 74-year-old Rowland seems intent on reinforcing the City's prejudices about his unorthodox empire.

Picking the 62-year-old René Leclézio, a Mauritian sugar magnate, to replace himself as Lonrho chairman, is vintage Rowland. Leclézio has been a director for 15 years and Robert Dunlop and Paul Spicer, the two new deputy chairmen, have been on the Lonrho board for over 30 years in total.

The company may argue that it is improving its own corporate governance by splitting the role of chairman and chief executive and appointing two new deputy chairmen. But if it is going to work properly, this sort of manoeuvre needs to be associated with the injection of some fresh non-executive blood. Rowland has just strengthened the old guard in his boardroom.

In the old days when bankers like Sir George Bolton were on the Lonrho board, there was a feeling that there were people prepared to keep Tiny in check. Now Lonrho has just one non-executive director, a 75-year-old retired diplomat, on its board. Lonrho's fear of bringing in outsiders to its boardroom adds to the perception that the company's founder has a rather special view of corporate governance.

Tarzan triumphs

■ Michael Heseltine's remarkable renaissance in John Major's government is complete. As Margaret Thatcher sat stony-faced during yesterday's House of Commons debate on the Maastricht summit, the man who forced her resignation was looking forward to a pivotal role in the general election campaign.

Kept at a cautious distance when Major first took over in Downing Street, Heseltine has now been told by the prime minister that he will be in the campaign A team.

His communicating skills mean that he will be one of the few senior ministers allowed to range outside his departmental responsibilities.

He will be allotted a sizeable number of television slots and be primed to attack Labour across issues ranging from the loony left in London to Neil Kinnock's defence and law and order policies.

Cabinet colleagues no longer dismiss lightly the idea that Heseltine will be given charge of a much extended trade and industry deparment... if Major wins the election.

Godmother

■ "Aye, the first woman member of the Charlotte Square mafia," said the voice on the line from Edinburgh. He was talking of Dr Janet Morgan, just admitted to the communion of "Saints" *alias* the board of Scottish American Investment trust.

Diminutive, but with a high power-to-weight ratio, she holds other non-executive directorships at Cable & Wireless, W H Smith, Midlands Electricity, and Pitney Bowes. She is a writer too: biographies of Edwina Mountbatten and Agatha Christie, among other works.

Beforehand she was, among other things, an Oxford politics don, and one of the government think tank from 1978 to 1981 under both Labour and Conservatives.

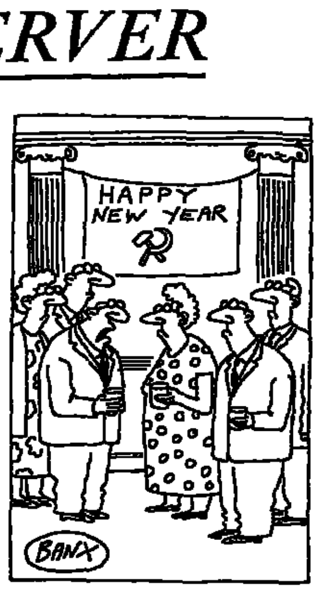
How does she see the role of a non-executive director?

"As being a candid friend, mainly. But I've some experience in high-tech that can come in handy. And I'm glad to say I've never been allowed to feel I'm there just because I'm a woman."

Even so, another of her skills is proven female intuition. One of her think-tank tasks was helping to assess a proposal put to the government by an overseas businessman, which involved lending him millions of UK taxpayers'money.

When decision-time came, she was the only one against it. And on being asked why, said: "Because he has blow-dried hair." With avuncular smiles, her colleagues voted in favour.

The man's name was John De Lorean.



"We all conga out of the Winter Palace at midnight"

Count down

■ On the other hand, the news from Israel is that women can't go on participating in public life for ever. It conflicts with God's scheme of things, and will end with the coming of the Messiah, says Rabbi Moshe Ze'ev Feldman, chairman of the influential Knesset Finance Committee.

Meanwhile, he not only wants women deprived of the vote, but has said so on TV. Hence female demonstrations outside his house and remonstrations in the media.

A cheerful bespectacled gent, he was previously best known for his remarks on getting the finance job which, despite his lack of relevant experience, was given to him after his ultra-orthodox Agudat Israel party joined Yitzhak Shamir's coalition. He had learnt the basis of economics at his grandmother's knee, he declared: "that two plus two is four, not five."

The claim has not been forgotten by women responding to his latest comments. "It is a pity," said the government's parliamentary-group leader Sara Doron, "that his grandmother did not teach him to count to three before voicing insulting, unnecessary and inflammatory remarks."

Leeds' striker

■ Mike Blackburn, bolshy boss of the Leeds Permanent, is back in action. Having drawn blood with his references to the "brass-necked" attitude of a government which expects mortgage lenders to cure the repossessions problem in two days, he used yesterday's meeting between the government and mortgage lenders to direct his fire at another soft target.

Noting that an awful lot of knighthoods were probably riding on the outcome of the meeting in the Chancellor's oak-panelled sanctum, Blackburn said he was pretty sure he would not be in line for one himself. With that sort of subordination he will be lucky to merit a MBE.

Tailpiece

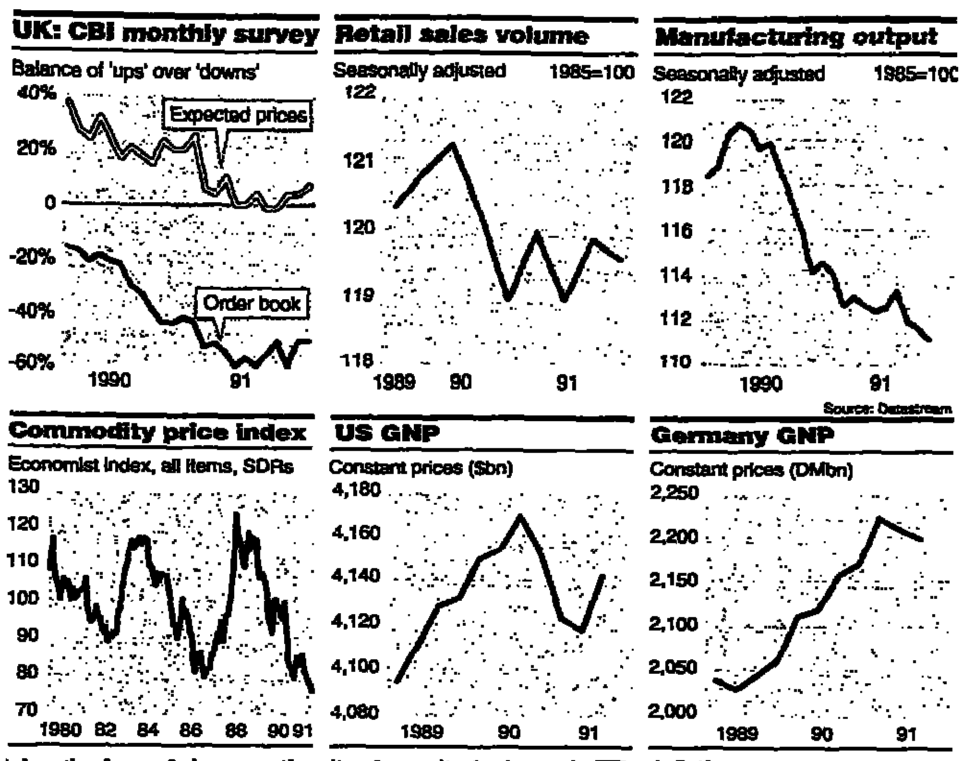
■ "You know what London Airport is?", snarled an American stopped for a baggage-check there. "The asshole of the world!"

"You'll just be passing through, then, sir," the customs officer replied.

ECONOMIC VIEWPOINT

Longer recession here after all

By Samuel Brittan



British Treasury economic forecasters have performed a hat trick. They failed to foresee the inflationary boom of the late 1980s; they failed to foresee the subsequent recession, and then they forecast a fictitious recovery.

Other mainstream forecasters did no better. Nor did their overseas counterparts. Nor was the attempt to use business surveys more successful.

The let-down here was that the supposedly encouraging indicators were mainly business expectations, which are *another form of forecast.* Moreover, the technique used was to treat a smaller negative balance as a harbinger of an upturn. (This was a trap into which I fell myself.) But as usual with forecasting relationships, they let us down just when they are most needed.

I first began to believe that the UK recovery was not happening when the preliminary GDP estimates for the third quarter were published. Yet even the anti-government short-term gloom merchants. accepted that these were evidence of slight recovery. For they failed to notice that GDP, excluding the highly volatile North Sea sector (which the Treasury has always taught us to exclude), showed a slight, fall rather than rise.

Being a cautious person, I waited for a fresh crop of indicators. The message is unmistakable. First we had the monthly CBI survey last weekend. This showed a very large majority of respondents reporting that order books were below normal, and that a slight majority once more expected output to fall. This was followed last Monday by Retail Sales estimates showing a fractional drop in the three months to last November, together with a warning that the figures could be an overestimate. On the same day other figures showed that manufacturing output in the three months to October was 1 per cent below the previous three months.

> **There is nothing unprecedented in a W-shaped recession**

APPROXIMATE REAL INTEREST RATES	
France	6.6
UK	6.3
Germany	5.6
Italy	5.3
Japan	3.6
US	2.4

Three month market rates deflated by changes in consumer prices over previous 12 months
Source: National Statistics

Then, yesterday, there were fresh *official estimates* showing a continued heavy fall in construction orders in the three months to October, and an NEDC assessment predicting a further 4 to 5 per cent fall in that industry's output. The *one moderately* reassuring indicator is a CSO intentions survey indicating a 2 per cent rise in the volume of manufacturing investment in 1992 – somewhat better than in the corresponding period of the last recession.

I have previously spoken of an *L-shaped UK recession* instead of the recovery that the government expected. But it is no longer certain that the recession has reached bottom, as the right-hand part of the "L" seems to be drooping.

The CBI Survey is also less reassuring than it might be on the British economy's one bright spot, the fall in inflation. The balance of companies expecting to increase home market prices is, at 7 per cent, the lowest December level since 1975. But it does compare with *minus* 2 per cent last August, and suggests that price discounts were given *with great reluctance and that* business is looking for an excuse to restore margins.

The fixed price, cost plus mentality of British business and unions, is thus far from broken. Recent anti-inflationary gains have been only at the cost of severe and prolonged recession, and could easily be *lost at the slightest sign that* the government was having second thoughts about its ERM commitment. As Geoffrey Dicks asks in the December *London* Business School Forecast release: "Why is it that in the car industry, where output is running 30 per cent below year-earlier level, Ford has granted an increase in wages in excess of inflation at the same time as 15 part-time vacancies at its Dagenham plant attracted 4,000 applicants? There could hardly be a clearer indication of how moribund the British labour market is, and of how it is apparently impossible for the unemployed to price themselves into work."

It is, of course, the reverse of reassuring that other countries are also going through a recession. Among the main industrial countries, the US has all the classic signs of a W-shaped recession. There were three quarters of falling output, starting at the end of 1990, followed by a suspicious looking upturn in the third quarter of *1991; and most of the indicators* now point to a further relapse in the final quarter.

Japan has been in the fortunate state where a recession takes the form of slow growth rather than an absolute downturn. But growth has indeed been very slow since the spring, and could now be coming to a halt.

The most interesting pattern is shown by Germany where the statistics still relate to the western part. After unification, demand and output started to grow far too quickly for the inflation-conscious Bundesbank. But its restraining *efforts* have worked, and output has been falling since the second quarter of this year.

There is nothing unprecedented in a W-shaped recession *which the world – the US in* particular – experienced in 1980-82. Belief that every recession is a prelude to a Great Depression clouds judgment.

In Germany two quarters of slightly falling output are not a sufficient reason for the Bundesbank to relax. Output there might still be too near the limits of capacity (as it was in UK for most of 1989-90, even though growth was already slowing down to a crawl).

The causes of the output setback vary. In Japan ,the US, UK, and some other English-speaking countries it is the desire of consumers and businessmen *to reduce their* indebtedness, against the background of a depressed state of the property market. In Germany, it is the pressures of unification which have put the budget into heavy deficit, leaving the Bundesbank to offset the inflationary consequences, just as the Fed had to do in the *US in the early Reagan years.*

There are still some useful policy guidelines. One is that governments have a responsibility for providing a nominal framework. That means providing enough expansion of demand in money terms to accommodate normal growth but not to finance a return of inflation.

A growth rate of Nominal GDP of 5 per cent per annum, if one is starting from a reasonable position, is adequate for most countries, allowing for, say, 3 per cent real growth and 2 per cent minimal inflation.

But governments should not even *attempt to achieve this* rate on a quarter-to-quarter basis: not only because it would be impossible, but because some variation in *overall output and price* behaviour is part of the rhythm of a normal economy. For short periods of two or three quarters, a less ambitious objective *is required – for instance that* governments should try to prevent nominal GDP growth from falling below zero. The mere contemplation of such rules *shows how far* we are from anything like the Great Depression, when US Nominal GNP fell by 50 per cent and real GNP by 30 per cent. Today, US Nominal GDP is some 3 or 4 per cent above its pre-recession levels, and real GDP about the same amount below. Similar magnitudes apply to the UK.

The shortfall from the desirable path is sufficient for the Fed and the Administration to contemplate some further stimulus. But it does not justify James Tobin, the Nobel prize-winning economist, urging that the Fed should slash interest rates with the deliberate object of depreciating the dollar. The same beggar-my-neighbour arguments he uses for a US devaluation could be used for many other places, and the result would be a 1930s-type *competitive devaluation race* which would leave everyone worse off.

There is a particular complication for countries like France and Britain, which are part of the German economic area. *The nominal framework is provided* for them by the Bundesbank, yet the German central bank is guided almost entirely by the needs of price stability in Germany. It cannot reasonably be criticised for doing so, even though real interest rates in neighbouring countries are higher than might otherwise be desirable on domestic grounds. For it did not ask *other countries to use the* Mark peg as an anchor, whether informally or via the ERM. Indeed it wishes they had not.

> **The moral I draw is that the sooner full Emu is achieved, the better**

But matters would be very different in a European monetary union. The European Central Bank should certainly not be more inflationary than the Bundesbank, but it should monitor its price stability goals over a wider area.

The moral I draw from this is that the sooner full Emu is achieved, the better. Nor do we *have to wait for 1997. Those* countries which are ready can fix their exchange rates irrevocably. Once this commitment carries conviction, the Bundesbank, *which will still be in the* driving seat, will have to start behaving like the prototype of the European Central Bank and taking into account the *interests of European countries* other than Germany.

The last thing for Community countries to do is to drop out of ERM or seek realignments, *which will only destroy* credibility and leave them with higher interest rates, both real and nominal, than they experience at present.

BOOK REVIEW

A racing non-starter

ROBERT SANGSTER: TYCOON OF THE TURF
By Roy David
Heinemann £15.99. 248 pages

The late Phil Bull, founder of Timeform. *made a fortune from* horseracing and then had the dour cheek of the professional northerner to describe racing as the "great triviality". (Timeform rates racehorses according to their racetrack speed, *and a fine service it is – in the* specialised sense that its ratings will, on occasion, momentarily arrest the punters' slide towards Hell and oblivion.)

Bull would have been full of contempt for this week's inch-*by-grudging-inch concession* by the Jockey Club that the time was ripe for it to surrender some of its sway over racing and promote the formation of a power-sharing British Horseracing Board to further the *sport's interests, negotiate* with the government and take control of Tote betting.

Bull would have said: "Not bad – just two-and-a-half centuries too bloody late."

Turf politics gets a lot of newspaper coverage, mainly because the Jockey Club – toffee-nosed, unelected and sometimes incompetent – is an easy target. The finances of racing – a more challenging subject, though intertwined with that of the sport's politics – also gets good ink. And so do the horses and the racing itself: pagefuls of form interpreted by obscure men called tipsters whose thoughts are communicated to readers under cover of bylines like Hyperion and Man on the Spot.

Curiously, less attention than you would think is paid to the most interesting subject of all, racehorse owners – the men and women, rich by definition, who are happy to splurge thousands, sometimes *millions, on dim quadrupeds,* most of which plummet in value in the first microseconds of their very first race.

Why do owners do it? The *answer is that these are* immensely competitive people, usually with business backgrounds, who like to put their judgment on the line. They see themselves *as winners. Their* game plan reads like this: buy a yearling racehorse for £50,000-£100,000; watch it win the Derby and the Prix de l'Arc de Triomphe; then pack it off to stud at a valuation of £10m-£12m.

Nothing could be easier. *Except that it's hugely difficult.* If you get to the bottom of it, you discover that no one really knows what makes one racehorse run a bit faster than another. Hence the challenge.

One man who has got closer *to the bottom of it than almost* anyone is Robert Sangster: rich by birth (his family founded Vernons Pools), Jockey Club member and owner of hundreds of racehorses from England to Australia.

Also a member of what Heinemann calls the glitterati. In Heinemann's blunderbuss prose: "Robert Sangster built an empire, turning the sport of *kings into a multi-million operation* ... Now three-times married with various lovers *en route* ... Sangster has made a name for himself as one of the world's No 1 racehorse owners and breeders."

In the process, Sangster has had to live with tough competition from Arab owners, notably the ruling Maktoum family of Dubai, who outspent and outslugged him in the 1980s. But he is hanging in there, and still enjoying great successes.

How does he do it? I wish I knew. Sangster is shy and diffident. I met him once, at the Keeneland racehorse sales in Kentucky. Champagne flowed like water. Beautiful women were four for tuppence. The horseflesh was magnificent. Million-dollar bids flashed like poisoned darts. But Sangster *was too inhibited to answer my* questions in any quotable form.

Roy David has had similar problems. *Robert Sangster* is *not an authorised biography.* Much of its material is rehashed and reheated. Its prose is perhaps superior to a Dick Francis novel, but what does that say?

There is a good book to be written about Robert Sangster, tycoon of the turf. But you would have to catch him first.

Michael Thompson-Noel

LETTERS

Competitiveness wholly dependent on correctly positioned exchange rate

From Mr J Mills.

Sir, In invoking a "simple piece of international trade theory" to condemn the think*ing behind the Social Charter* Mr Samuel Brittan ("Playing fields will not do", December 16) exposes the fallacy which underlines so much of his own economic reasoning. *It is not* the case that countries like India are able to compete internationally because their low productivity is offset by lower pay and poorer working conditions.

Commonness *as well as the* economic law of comparative costs in international trade tells us that countries are able to compete internationally if, and *only* if, their money rate of exchange is correctly posi*tioned. It is that and only that* which enables each country to balance its overseas account in conditions of full employment at a high and sustainable rate of growth. *This has to be done* by producing for home consumption and export those goods and services in the production of which it has a *comparative* advantage over other countries, for whatever reason.

This law makes fixed exchange rates economically nonsensical in a world in which the obligations imposed on debtors and creditors are *not symmetrical. The comparative* advantage enjoyed by some industries might well be reduced by implementing some of the provisions of the Social Charter. Provided, however, that interest rates and the exchange rate are allowed to fall to a competitive level, as *the Labour party sensibly* proposed in Meet the Challenge. Make the Change, this could and would be offset by a gain to others.

The playing field for industry has not been level *only* because successive British governments since 1976 have chosen to price their goods out of home and overseas markets. The current value of sterling, *for example, is 46 per cent and* 17 per cent above its value against the D-Mark in, respectively, the second half of 1973 and the fourth quarter of 1986. Manufacturing output as a result is no higher now than in 1973. The cost of living may have been reduced in terms of the RPI, but only at the *expense of the standard of living*, which is now far lower than it would otherwise have been. The beneficiaries are those who possess wealth. The *biggest losers are* those who create it, especially the manual workers in manufacturing whose real incomes have fallen 20 per cent since 1979 compared to those of white collar in other industries, not to men*tion the 3m whose jobs* have been destroyed since 1973.

John Mills,
secretary,
Labour policy economic group,
72 Albert Street, London NW1

Identifying the employed

From Mr J D Woodthorpe.

Sir, The distinction that needs to be made clear in directors' status (Observer, December 11, and Letters, December *16* and *18) is* whether they are company employees or not. While the responsibilities of "insiders" or "outsiders" are the same, it is the 100 per cent employed directors, I suggest, who need to be so *identified* – perhaps as "employed directors".

J D Woodthorpe,
54 Eaton Place.
London SW1

A message with other meanings

From Mr Alistair Mark Calvin.

Sir, Is it any wonder the mortgage market is in such a mess when one of the leading players is encouraging its customers to "be young, *be foolish* and be Abbey"?

Alistair Mark Calvin,
37 Keyes Gardens,
Jesmond,
Newcastle upon Tyne

Fax service
LETTERS may be faxed on 071-873 5938 They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Misplaced view of pensions decision

From Mr Alan Bradley.

Sir, If Bryn Davies (Letters, December 14) wishes to be taken seriously as an independent pensions expert, he should desist from advocating how to vote in the next general election. His charge that European Community leaders meet*ing at Maastricht* are worse than Maxwell in "stealing" money from pension scheme members is as fatuous as it is misplaced. The political party he so openly supports has not hesitated to condemn in principle retrospective legislation when it suited it to do so.

The Community has now agreed that, in the matter of equal treatment for men and *women in occupational pension schemes,* retrospective law-making should have no place.

Given that most unequal treatment in the UK arises only from a genuine attempt by employers to come *to* terms with the inequality in state pension ages (perpetuated by the Labour party when in office), occupational pension *schemes can justly feel pleased* to have been relieved of an onerous retrospective burden. Their members can also be glad that surplus assets can *now be applied to* securing more worthwhile benefit improvements.

Alan Bradley,
Lane Clark & Peacock,
30 Old Burlington Street,
London W1X 1LB

A successful Williams' bid may give Racal's suppliers a tough time

From Mr Martin Simons

Sir, Industry and banks are gravely affected by the unwillingness of customers to pay their suppliers on time, and by the practice of powerful companies extracting ever keener *terms from suppliers.*

The payment pattern of takeover predators should be examined and the implications for suppliers of those subject to a bid must be appreciated by shareholders.

The bid by *Williams* Holdings for Racal is an instance. Williams *seem* progressively to have tightened buying and perhaps sales credit arrangements. By December 1990 Williams' trade creditors were 96.5 per cent of trade debtors – *an* unusual percentage for a manufacturer – compared with 80 per cent at December 1989 and 74.5 per cent at December 1987. At Racal, the March *1991* group percentage was 46 per cent. *The upward trend* is mirrored in Williams' UK paint-related subsidiaries. The biggest of these was Crown Berger, whose trade creditors at December 1990 (by which *time* it had been sold by Williams) were 78 *per cent* of trade debtors. At December 1989 it had been 103.5 per cent and at December 1988, 87 per cent.

The significance of trade credit depends on the business mix and the quantum of value added in *manufacturing processes*; seasonality can play a *role* and the payment terms and practices are important.

A yardstick for Williams is another conglomerate, Hanson, whose percentages varied *between 50.5 per cent at September* 1991 and 47.5 per cent at September 1988. ICI's percentages have fluctuated between 56.5 per cent and 51.5 per cent.

Hanson's natural resources *activities, 25 per cent of group* sales in the year to September 1991, involve modest purchases and therefore supplier credit. Similar remarks apply to ICI's pharmaceuticals and agrochemicals. The August 1991 figure for Wellcome, the pharmaceuticals group, was 28 per cent. (Williams' percentage is pushed up by north American paints activities which include cash sales.)

So there are partial explanations for the enormous gap between Williams Holdings' *ratios on the one hand,* and those of Hanson and ICI on the other hand.

Even so, the fact that the Williams Holdings percentage is more than double that of Racal suggests that if Williams Holdings' bid succeeds, then Racal suppliers may be in for a tough time. Any lengthening of purchase credit terms and shortening of sales credit terms by Williams will aggravate what is already a serious *UK payment climate* and *could* bring further business failures and bank bad debts.

Martin E Simons
24 Granard Avenue,
London SW15 6HJ

FINANCIAL TIMES
Thursday December 19 1991

Bundesbank calls press conference to follow meeting of policymaking committee

New speculation on German rate rise

By Andrew Fisher in Frankfurt

SPECULATION on a further rise in German interest rates was renewed yesterday when the Bundesbank announced it would hold a press conference after today's fortnightly meeting of its policymaking council.

The Bundesbank has been warning repeatedly about inflationary risks in recent high wage settlements and the expansive fiscal policy being followed by the Bonn government in the wake of unification.

In its monthly report yesterday it again drew attention to the need for a continued tight monetary policy: inflation is now above 4 per cent. The bank has made clear it does not want next year's wage settlements to reach the 7 per cent level seen this year.

Two claims this week show that trade unions are still seeking high pay deals. The public sector union put in a slightly lower claim than last year at 9.5 per cent, while the printing union has again demanded 11 per cent.

Not all economists are convinced that the Bundesbank will raise rates. Speculation arose two weeks ago that it would lift its Lombard emergency funding rate from the present 9.25 per cent, by a further quarter percentage point, but that it was delaying action until after the EC summit in Maastricht. Since then, however, expectations of higher rates have diminished, to be revived by news of the press conference.

The Bundesbank is expected to give its views on Maastricht, especially in view of belated public concern about the disappearance of the D-Mark with monetary union. But, Mr Hermann Remsperger, chief economist of BHF-Bank, said: "I expect they will talk about interest rates as well. The Bundesbank is in a dilemma between rising prices and high wage claims on the one hand and the need to avoid harming the economy on the other."

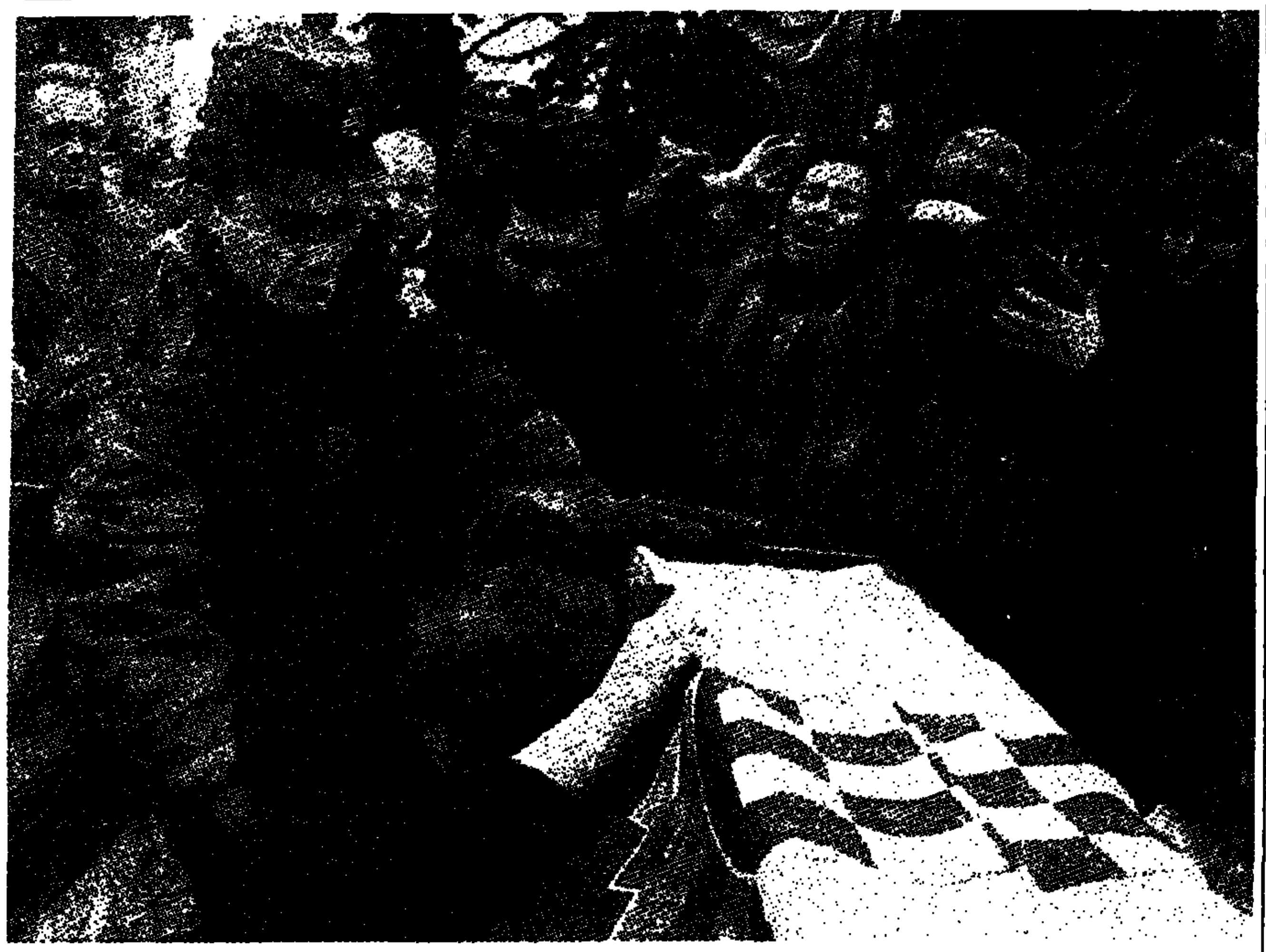
The west German economy is slowing down, though the bank said it was not showing signs of recession, while east Germany's is picking up. The Bundesbank said the growth in the east had spread from the construction and service sectors to manufacturing. Companies were now more optimistic and east Germans were buying local goods.

Some economists thought the strength of the currency against the dollar, which closed in Frankfurt yesterday at DM1.5720, would turn the Bundesbank against any rise in rates. "As long as the D-Mark is strong, they're happy as far as their inflation goal is concerned", Mr Ulrich Stiehler, economist with Nomura Research Institute Deutschland, said.

He thought it probable the Bundesbank would not take any major decisions. It last raised rates in August, with the Lombard rate moving up by 0.25 percentage point and the discount rate by 1 percentage point to 7.5 per cent. The Bundesbank reaffirmed its commitment to a tight monetary policy two weeks ago when it announced a goal of keeping the growth in money supply to between 3.5 and 5.5 per cent for 1992.

The bank said money supply growth in the second half of 1991 had been much higher than acceptable for price stability, though the annual expansion would be just within the 3 to 5 per cent target range for M3, the broad monetary aggregate.

The bank referred to the D-Mark's role as an anchor for other European currencies and said monetary stability was in international as well as domestic interests, since foreigners had invested heavily in D-Mark securities.



Yugoslavia: Grief-stricken relatives are held back from one of 43 coffins at a funeral in Podravska Slatina of massacre victims from the nearby Croatian villages of Vocin and Hum. Carrington's caution, Page 2

Yeltsin deputy attacks government

By John Lloyd in Moscow

MR Alexander Rutskoi, the Russian vice-president and an air force general, has attacked the principal policies of his government and some of its leading personalities.

His action is the culmination of a month of steadily mounting clamour against the new authorities in general and the Russian government in particular, even before they have had time to implement policies and programmes.

Mr Rutskoi said that "everything is falling into an abyss... there is no democracy in Russia. There is a total lack of authority; there is chaos and anarchy".

Seizing on the most popular complaints, the vice-president said Mr Boris Yeltsin, the Russian president, had issued 270 decrees – none of which had been carried out.

"The people holding the power interpret the laws as they see fit. And here are the results – prices sky-rocketing, profiteering, inflation, production decline, the breaking of economic links, delivery failures and a fuel and energy crisis."

He criticised Mr Gennady Burbulis, the first deputy prime minister, and Mr Egor Gaidar, the deputy prime minister in charge of economic reform.

Mr Rutskoi said Mr Burbulis had erected a wall round Mr Yeltsin and "put all of us in places convenient to himself. Now he is doing the same to the [Russian] Supreme Soviet".

Mr Rutskoi said he still supported Mr Yeltsin, but that the president's decision directly to manage the government was a "very grave mistake".

In an interview with the daily Nezavisimaya Gazeta, Mr Vladimir Zhirinovsky, the increasingly popular Russian nationalist who has the overt support of some of the hardline deputies of the union Supreme Soviet, predicted that the new commonwealth would mark the end of Russia.

Mr Zhirinovsky capitalised crudely on popular dissatisfaction by saying that other national groups were doing well at the expense of the Russians – and would be encouraged to do so under the terms of the Commonwealth treaty which is due to be signed by up to 10 republics in Alma Ata on Saturday.

His forecast coincided with yet another warning of a coup from Mr Eduard Shevardnadze, the Soviet foreign minister, in an interview with the Kuranty newspaper.

"I am very apprehensive," he said. "I don't know what to call it – a putsch, an uprising, an explosion – but the threat is still as great."

Reuter reports: Moscow city authorities were reported yesterday to have urged Mayor Gavriil Popov to reconsider his decision to resign, saying it could lead to disaster.

Mr Popov, elected by a landslide last June, said on Sunday he would resign at the end of the year because of conflicts with his city council and Mr Yeltsin's government.

Scientists construct artificial brain cell

By Clive Cookson, Science Editor, in London

SCIENTISTS in the UK and US have created the first realistic imitation of a brain cell on a silicon chip and say that they expect within five years to construct an inexpensive artificial brain containing thousands of these "silicon neurons" which will interact with the real world "in the same way as a biological nervous system."

It is an important advance in the current scientific fusion of computing and brain research, because it mimics the structure and electrical activity of a nerve cell.

Dr Rodney Douglas of Oxford University and Ms Micha Mahowald of California Institute of Technology have described their silicon neuron today in the journal Nature. But they say they are reluctant to discuss possible applications.

However, Dr Douglas added that they wanted to link silicon neurons to a "silicon retina" – an artificial eye which Ms Mahowald and colleagues made recently at Caltech.

The combination could make an extremely powerful device for interpreting images. For example it would enable a robot to "see" more effectively than today's digital image processing systems. A much more distant possibility is that it could be used to restore sight to the blind by connecting an artificial eye to the human brain.

The project promises both to provide neuroscientists with a realistic model for studying how the brain works and to produce what Nature calls "genuinely intelligent machines."

Their hardware-based biological approach is fundamentally different from the computer industry's idea of "neural computing". The latter is based on vast parallel arrays of digital microprocessors, which are then programmed to behave like a nervous system.

The Oxford-Caltech silicon neuron does not process a stream of numbers like a digital computer. Instead it uses continuously varying "analog" correct signals like a living cell but operates more quickly.

So far only a single silicon neuron has been tested. However even on its own, it shows the important biological property of adaptation. Dr Douglas says he and Ms Mahowald are working now to connect silicon neurons together.

A practical advantage of silicon neurons for many applications is that they are inherently imprecise. Computer designers find it hard to adapt conventional chips to an uncertain world, even by using recent programming tricks such as "fuzzy logic" - software that can make a decision using unclear information.

Dr Douglas points out: "neurons interact with one another in a self-correcting way. So you can build a reliable device from them without having to make all the individual components reliable."

The ability of a neural network to learn from experience and program itself can be seen as a threat as well as a promise. But researchers insist an artificial brain that ends up by outwitting its human creators is literally incredible.

THE LEX COLUMN

Watching for the Bundesbank

The Bundesbank's decision to schedule a press conference after today's council meeting does not automatically herald a rate increase, but the probability of one has grown. The bank always takes more account of domestic conditions than the world economy in setting monetary policy. There is even less incentive to worry about US developments when the Federal Reserve itself has been so ambivalent about easing. In Germany, M3 money growth has accelerated to an annual rate of some 7 per cent in the past three months, while bank employees are threatening to strike in support of a 12 per cent wage claim.

After so much speculation, the exchange markets would probably ride out a quarter-point rise in the Lombard rate, though any larger increase would come as a shock. Inaction on rates might leave the markets more nervous than an increase that was perceived as the last in the present cycle. Paradoxically, the latter could even take some upward pressure off the D-Mark, though hardly enough to create leeway for Mr Norman Lamont, whose pep talk last week failed to push sterling above its theoretical narrow band floor of DM 2.8844. At some stage, the Bundesbank will doubtless respond to German economic weakness, but not before it is sure that wages and inflation are under control. A particular worry is that some German forecasters now believe inflation could accelerate to 5 per cent in the spring. In any case, a money supply target allowing for inflation of 2 per cent is tight already. German rates will be slow to fall, wherever the Lombard finally peaks. Relief for the rest will be equally tardy.

Lasmo/Ultramar

Lasmo eventually reeled in Ultramar with an ease which belied the market's recent suspicion that the bid was destined to fail. Apparently, investors have developed a taste for *suspense. The bid's success* says much about institutions' appetite for even small amounts of cash, not least the two fund managers which sold 3.5 per cent of Ultramar at 300p on Tuesday. Whether investors are genuinely enthusiastic about the combined entity is another matter.

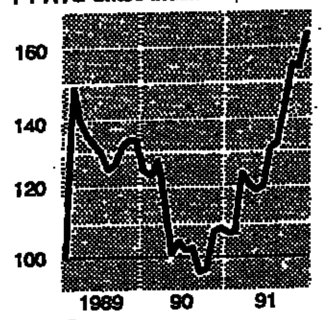
Lasmo's case for disposing of Ultramar's refining and marketing assets was not as convincing as the bidder would have liked. But the real attraction of Ultramar was that its upstream assets would reshape the worrying dip in Lasmo's production profile after 1995. By bidding at a time when rivals could not offer a cash alternative, Lasmo has picked up those assets on the cheap and is now not much smaller than Enterprise.

Perhaps in the end Ultramar paid the price for the prior lack of self-discipline among its top management. At the same time, it clearly failed to convince shareholders that it could derive as much long-term value from its asset mix as Lasmo could by breaking the company up. Assuming full take-up of the partial cash offer, Lasmo's gearing will be around 65 per cent, so it will not take much in the way of disposals to reduce it to a more comfortable level. In the short term, the over-supply of paper may stall Lasmo shares. A few months from now, they will be worth a closer look.

FT-SE Index: 2,413.8 (-19.3)

NFC

Share price realtive to FT-A All-Share Index



Source: Datastream

NFC

The doubling of NFC's share price in the last 12 months is a spectacular re-rating by any standards. But though yesterday's 4 per cent slip in full-year, pre-tax profits confirms the group's ability to ride the bumps, the question is whether investors may be getting too carried away.

There is no doubt that NFC has established itself as a quality player in the high value added end of the business. Its strategy of changing the emphasis from low quality parcel delivery to dedicated distribution for companies has been particularly vindicated during the recession. NFC also provides a welcome contrast to the likes of AB Ports, BAA and British Aerospace which also inherited valuable property assets from their public sector owner. The £11m King's Cross write-off – an unwelcome embarrassment incidentally for partners Stanhope and Rosehaugh – is a reminder that the company has not escaped completely unscathed. But in not getting carried away by the prospect of dizzy property development returns at the height of the market, NFC has amply demonstrated that it is not necessary to follow the *herd*. Why be greedy when operational cash flow is strong enough to reduce gearing from 200 per cent four years ago, and still leave room for spending on acquisitions of £80m-£100m a year? At 226p, the shares are on a 3.7 per cent yield and a prospective multiple of around 15, assuming profits of £105m this year. That premium rating is justified on past performance – but it takes on trust the company's skill to exploit future opportunities in the US and Europe.

Welsh Water

The latest twist in the Welsh Water/South Wales Electricity saga suggests that relations between the two are worse than ever. In scoring a point against Welsh Water – the Takeover Panel has confirmed that the water company may not *bid* until *its chairman has* retired in 1993 – South Wales succeeded only in damaging its own share price on a day when it delivered outstanding results and a 14 per cent dividend increase. Under the present rules, Welsh could not bid anyway, so its 15 per cent stake was unlikely to change. It remains ironic that while the investment has yielded no commercial benefits, in purely financial terms it has been profitable to the tune of around £7m.

Building societies

Today's announcement of a rescue package to stem UK mortgage repossessions will be greeted with relief by politicians. But the idea of lenders taking equity risk in their loans gives rise to new con*cerns. It is indeed possible to* envisage today's measures halving the number of homes likely to be repossessed, reduc*ing* the chances of a meltdown next year and putting a prop under prices. But what if they do not work and the ills of the housing market turn out to be more deep-rooted than currently thought? The risk might seem minimal at the moment, but political solutions have a habit of going wrong, often after those who dreamt them up have left office.

France forms state giant

Continued from Page 1

IRI, an Italian state holding company. The unit is estimated to require $500m of fresh investment.

The EC's veto of the planned takeover of de Havilland, the Canadian aircraft maker, by Aérospatiale angered the French government, which accused the Commission of failing to respect the broad interests of European industry.

Mrs Cresson said that this latest project made good sense in that it allowed the stable earnings of the nuclear industry to help the electronics businesses through their volatile business cycles.

Thomson officials welcomed the plans. "If you admire what the Germans and Japanese are doing then you cannot criticise France for wanting to create a group of the same size," an official said.

Govan yard wins £200m order to build four chemical carriers

By Richard Evans in London and Andrew Hill in Brussels

THE BIGGEST merchant shipping order placed in the UK for several years has secured the jobs of 2,000 workers at the Govan yard on the Clyde for the next three years.

Kvaerner Govan, part of the Norwegian Kvaerner shipping and engineering group, yesterday announced that an order worth more than £200m ($364m) had been placed for four chemical carriers, three for National Chemical Carriers of Saudi Arabia and one for the Norwegian-owned Storli group.

Two more vessels, also for Storli, are to be built at Kvaerner's shipyard at Kleven in western Norway, bringing the total order to more than £300m.

The Govan order for four 37,500 dwt chemical carriers was a race against time to secure European Community grants.

Yesterday the European Commission dropped the ceiling for production aid to the EC shipbuilding industry from 13 per cent to 9 per cent for 1992, as part of a gradual move towards the abolition of subsidies by the end of 1993.

The orders are a big boost for the yard, which had a chequered history before being bought by Kvaerner from the government in 1988. Opened in 1864, the yard is the last commercial shipbuilder on the Clyde, a river which once supported 70,000 shipyard workers.

The yard has made substantial losses for the past two years, but the management now hopes it will break even in 1992. Without the chemical carriers, work on four liquid petroleum gas tankers would have been completed by mid-1993 and a run-down of 1,700 permanent and 300 temporary workers would have begun in the middle of next year.

Mr Steinar Draegebo, chief executive of Kvaerner Govan, said in London: "This is the best possible Christmas present we could give a workforce which has increased productivity by 40 per cent since we took over the virtually bankrupt yard." Kvaerner has spent £30m updating yard facilities.

Mr Draegebo said that, at the takeover, productivity at Govan had been half that of the company's Norwegian yards but the Clyde yard was now expected to catch up within a short time. He forecast a profitable future for Govan because of the labour cost advantage over Japanese and European yards.

Shipyard kept afloat, Page 7

WORLDWIDE WEATHER

		°C	°F
Ajaccio	C	12	54
Algiers	F	12	54
Amsterdam	F	7	45
Athens	S	14	57
Bahrain	S	15	59
Bangkok	F	32	90
Barcelona	C	9	48
Beirut	C	16	61
Belfast	F	6	43
Belgrade	C	0	32
Berlin	C	5	41
Biarritz	C	13	55
Bombay	S	28	82
Bordeaux	C	12	54
Boulogne	S	8	46
Brussels	F	6	43
Budapest	Fg	-3	27
Buenos Aires	F	26	79
Cairo	F	18	64
Cape Town	S	22	72
Caracas	C	28	82
Casablanca	S	13	55
Chicago	S	-9	16
Cologne	C	6	43
Copenhagen	R	5	41
Corfu	F	14	57
Dallas	R	7	45
Dublin	C	7	45
Dubrovnik		-	-
Edinburgh	S	5	41
Faro	S	16	61
Florence	R	3	37
Frankfurt	S	6	43
Geneva	F	8	46
Gibraltar	F	15	59
Glasgow	F	6	43
Helsinki	C	1	34
Hong Kong	S	21	70
Innsbruck	R	4	39
Inverness	R	4	39
Islamabad	C	19	66
Istanbul	F	8	46
Jakarta	R	32	90
Jersey	S	11	52
Johannesburg	T	17	63
Lima		-	-
Lisbon	S	14	57
London	F	9	48
Los Angeles	C	14	57
Luxembourg	C	4	39
Madeira	F	19	66
Madrid	C	4	39
Majorca	F	15	59
Malaga	S	16	61
Malta	F	15	59
Manchester	F	6	43
Manila	F	31	88
Melbourne	R	13	55
Mexico City	C	18	64
Miami	C	16	61
Milan	C	3	37
Montreal	Sn	-13	9
Moscow	F	-7	19
Munich	C	3	37
Nairobi	F	25	77
Naples	F	12	54
Nassau	C	24	75
New Delhi	S	20	68
New York	S	2	36
Nice	S	14	57
Nicosia	F	16	61
Oporto	S	13	55
Oslo	F	1	34
Paris	S	9	48
Peking	C	0	32
Prague	F	4	39
Reykjavik	F	-4	25
Rhodes	F	15	59
Rio de Janeiro	C	36	97
Rome	C	13	55
Salzburg	R	4	39
San Francisco	C	13	55
Seoul	F	5	41
Singapore	R	29	84
Stockholm	R	2	36
Strasbourg	C	8	46
Sydney	S	25	77
Taipei	C	21	70
Tangier	S	17	63
Tel Aviv	S	15	59
Tenerife	Dr	17	63
Tokyo	F	18	64
Toronto	S	-14	7
Tunis	F	16	61
Valencia	F	14	57
Venice	C	1	34
Vienna	R	-2	28
Warsaw	Sn	0	32
Washington	F	3	37
Zurich	F	6	43

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday December 19 1991

INSIDE

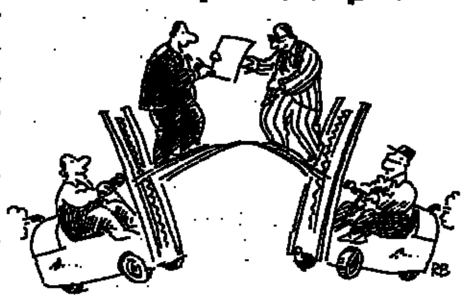
Tourang purchase of Fairfax challenged

Australian Provincial Newspapers, losing bidder for the Australian Fairfax newspaper group, yesterday launched a legal challenge to stop the Tourang consortium completing the A$1.4bn ($1.08bn) purchase on Monday. APN – led by Mr Tony O'Reilly (left), the Irish newspaper proprietor and chief executive of Heinz, the US food group – has applied for a Federal Court order to stop the purchase on the grounds that it may breach Australian media ownership. Page 21

Soviet upheaval threatens butter

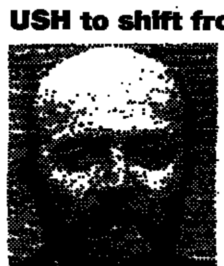
Upheavals in the rapidly disintegrating Soviet Union hit the world dairy market in 1990 and 1991, says the General Agreement on Tariffs and Trade. It warns that massive food aid requirements for the region could have implications for the market in 1992, especially for butter. Page 32

Caterpillar and Mitsubishi cement their partnership



Caterpillar, the earth-moving equipment maker, has signed a memorandum of understanding with Mitsubishi Heavy Industries of Japan, to explore a new joint venture. The proposed company would design, manufacture, and distribute lift trucks and materials handling equipment. Page 21

USH to shift from defence



United Scientific Holdings, the UK defence equipment maker, plans to move away from defence contracting and retitle the group Alvis. USH mainly makes armoured vehicles at its existing Alvis division in Coventry, but hopes to increase its output of gearboxes for civil aircraft and railways. Mr Nick Prest (left), chief executive, said Alvis "still retained the genes" of how to produce for the civilian market in its culture. Page 25

ANZ to cut 3,000 staff

Australia's ANZ banking group will cut staff by 3,000 next year in an effort to reduce costs and raise efficiency. ANZ, which shed 2,230 people in 1991, suffered a 35.5 per cent in net earnings to A$266.2m ($206.3m) for the year to September 30. Page 21

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
AG Ind & Werk	638	+	8	AGF	465	+	19.5
Colonia Kzn	920	+	50	Immobanque	720	+	20
Leifheit	470	+	15	Union Immob Fr	465	+	24
RheinMetall Prf	192	+	11	**Falls**			
Volkswagen	302	+	7	BIC	610	–	18
Falls				Geophysique	500	–	16
DLW	492	–	13	Imm de France	795	–	30
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
AT & T	63⅛	+	⅜	Koyo Iron	1360	+	110
IBM	85¾	+	⅞	Nankai Worsted	650	+	47
Falls				Nippon Lace	624	+	54
Amgen	58	–	1½	**Falls**			
Chrysler	10⅛	–	⅜	Hokko Chem	1100	–	90
Digital Equip	51⅛	–	5⅜	Mitsui Shindoh	512	–	42
Edison	38¾	–	1⅜	Nippon Kasei	545	–	95

New York prices at 12.30.

LONDON (Pence)				Gestetner	118	–	8
Rises				Glaxo	812	–	17
Allen	123	+	6	Greycoat	105	–	6
Burnfield	156	+	9	Lasmo	245	–	10
Chemring	730	+	60	Mowlem (J)	134	–	23
Ensign Trust	38	+	20	Shaftesbury	59	–	39
Gardner (DC)	35	+	6	Sth Wales Elct	295	–	12
Stanhope Props	34	+	3	Tarmac	107	–	10
Utd Scientific	40	+	10½	Tesco	213	–	7
Falls				Wimpey (G)	114	–	8
AMEC	155	–	9				
Argyll	281	–	10				
Dixons	203	–	6				

Narrow victory creates a leading British oil exploration group

Lasmo wins Ultramar bid battle

By Deborah Hargreaves in London

LASMO, the oil exploration company, surprised the London business community yesterday by narrowly winning its £1.1bn ($2bn) hostile offer for oil and gas group Ultramar in a move that turns it into one of the largest oil explorers in the world.

The bid was won by a margin of 54.6 per cent with Lasmo safeguarding victory by buying 3.55 per cent of Ultramar's shares from institutions on Tuesday.

But both companies remained nervous about the outcome of the bid until the final count after a bitter battle. Ultramar directors were drained and shocked yesterday after mounting a spirited defence that had eroded much of the hostility felt by shareholders towards the company.

"You're always nervous about these things until you've got the shares under your belt," said Mr Chris Greentree, Lasmo chairman. "This is a world-class company and we've got to get to work on it straight away."

The combined company has reserves of oil and gas totalling 1.12bn barrels with extensive North Sea acreage and wide exploration potential in Indonesia. Its production will grow from 215,000 barrels of oil a day (b/d) at a rate of 50 per cent over the next five years.

The combination will push the gearing of the joint company over 70 per cent, however, and Lasmo will have to act rapidly to sell Ultramar's North American oil refineries which is at the heart of its plans for the company.

Mr Greentree said he would begin talks today on combining the two companies with a view to integrating them within three months.

He said the outcome of the bid would inevitably lead to some rejuggling of institutions' holdings in the company which could depress Lasmo's share price in the short-term.

Both companies' share prices dropped by about 20 per cent over the course of the bid as the oil price slipped.

Lasmo's share price fell by 10p yesterday to 245p while Ultramar's dropped 1p at 265p.

Lex, Page 18

Audacious bid creates new order

Deborah Hargreaves looks at the background to Lasmo's assault on an independent oil company

The narrow success of Lasmo's audacious £1.1bn ($2bn) bid for fellow oil and gas group Ultramar creates one of the largest oil exploring companies in the world at a price well below the City of London's estimates of Ultramar's value.

The final offer, which was a *one-for-one share exchange plus* 40p a share, valued Ultramar at 285p a share, compared with City of London valuations of more than 400p a share for Ultramar.

Many in the industry were incredulous when Lasmo launched its low, all-paper offer two months ago, and many shareholders were banking on a cash counterbid to boost Ultramar's value. But the falling oil price and the success of the bid are likely to continue to depress share prices in the oil exploration and production sector which has underperformed the FT-All Share index by 20 per cent since the bid was launched.

Lasmo will now head the sector as it vies with Enterprise Oil as the largest UK oil explorer. *The combined company* can look forward to 50 per cent growth in oil production over the next five years from a rate of 215,000 barrels of oil a day (b/d) to 300,000 b/d.

Mr Chris Greentree, Lasmo chairman, was bluffly confident last night of integrating the two companies *within three months*. "It's a world-class company and by most rankings, the number one exploration and production company in the world," he said.

But he admitted to being extremely nervous about the outcome of the bid right up until the final count yesterday afternoon.

It was a tense day for both companies as Ultramar refused access to reporters and Lasmo executives remained in an *interminable board meeting. The City* of London was confused up until the last minute with contradictory signals coming from the companies' share prices in the days up to the close of the bid.

Chris Greentree: confident of swift integration

An indication of the build-up of nervous tension came on Tuesday when Lasmo's purchase of 3.55 per cent of Ultramar's shares was rumoured to have tipped the balance in favour of the predator. But Ultramar tried to pass the move off as a failed raid.

Ultramar mounted a well-executed defence with Mr Jean Gaulin, chief executive, and Mr Peter Raven, finance director, rebuilding bridges to the City of London which had been damaged under *former chairman Mr John Darby*. Mr Darby and two fellow executives resigned at the outset of the bid in an effort to divert attention from Ultramar's poor corporate governance.

But for many shareholders, the defence failed to address fundamental queries about the structure of the company such as the lack of real synergy between Ultramar's downstream and upstream assets, which include a *mix of North Sea exploration* assets, gas production activities in Indonesia and two large oil refineries in North America. For some, nothing short of splitting *the company in half would suffice.*

Even Mr Gaulin admitted that the way ahead for Ultramar in the long-term would be in upstream exploration – using cash from the refining operations to develop North Sea and Indonesian oil and gas production.

Mr Gaulin and Mr Raven were shell-shocked yesterday and refused to comment on the outcome of the bid beyond saying they would meet with their advisers and comment in due course. Lasmo is hoping to begin meetings with staff today in an effort to begin merging the company's interests with its own.

Lasmo's strategy for the company is to continue growth as an exploration and production company while unlocking value for shareholders by selling Ultramar's North American refineries.

These are worth between £700m and £1bn which would help to pay down debt from the joint company where gearing will reach about 70 per cent.

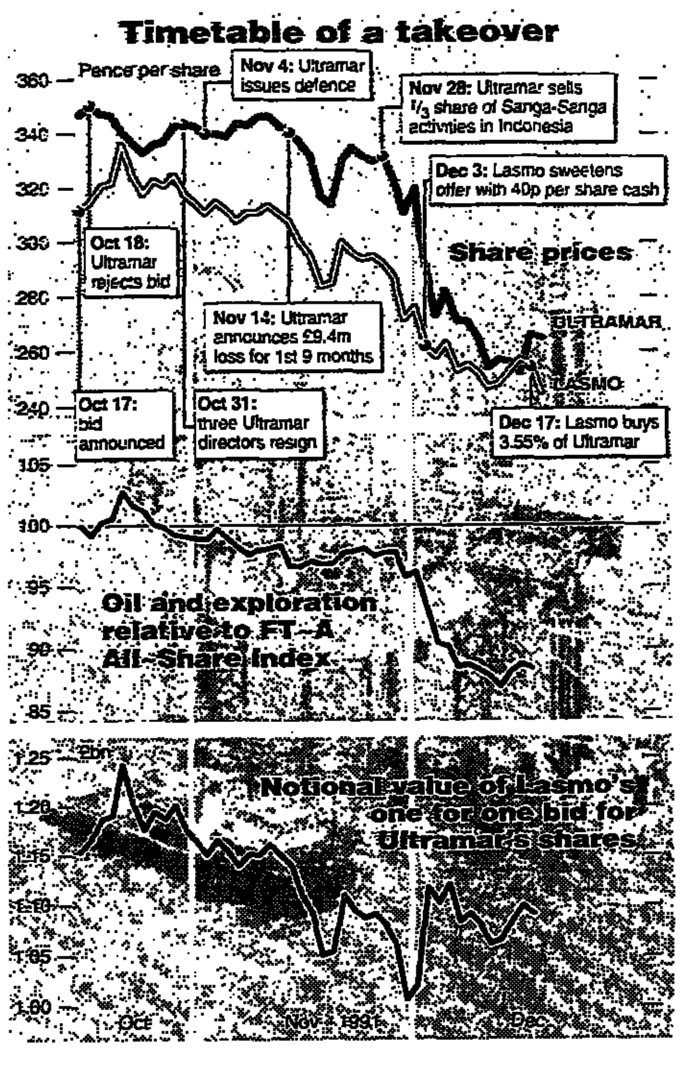
However, the market for these assets is extremely depressed and although the company says it has had interest from "eight to 10" potential purchasers, it must act swiftly to reassure the City of London that it has an offer on the table.

Some of Ultramar's ammunition about Lasmo's oil discovery *costs being higher than the* industry average stuck.

The company pointed out that Lasmo's discovery costs over the last five years were £2.24 per barrel of oil equivalent (boe), compared with Ultramar's of 91p per boe and an industry average of £1.06 per boe.

This is partly explained by Lasmo's ambitious new drilling programme which is costly and will not begin to produce oil for several years. *Lasmo must now demonstrate that*, as its exploration programme matures, it can bring these costs down.

Timetable of a takeover



The oil price was declining almost continually throughout the bid as the market moved from a perceived winter shortage of oil to an excess of supply.

With no company willing to *step in with a higher – preferably* cash – offer, the City of London reviewed its approach to the rest of the exploration companies such as Clyde Petroleum and Premier Oil. Asset values are a judgment of a company's future potential by the exploration acreage in its portfolio.

Many analysts now suggest the *performance of* these *small companies* will have to be measured by earnings or dividend growth which will see their share prices trading much lower.

VW plans further growth as sales rise

By Andrew Fisher in Frankfurt

VOLKSWAGEN, the German motor group, yesterday expressed optimism about the outlook for 1992, saying it expected continued expansion of its business and a gradual recovery in the main western European economies.

Like other car manufacturers, VW *has benefitted from strong* domestic demand after unification. It sold 2.5 per cent more cars in 1991, with worldwide sales of its VW, Audi, and Seat models totalling 3.13m units. VW group deliveries in Germany were 29 per cent higher at 1.2m cars, with Seat, the Spanish *subsidiary, one of the leading* imported models in the east.

VW said it would report only flat profits for this year, however, mainly as a result of the high costs and investments associated with the launch of new models such as the third generation Golf family car and the large Seat Toledo.

Net profits in 1990 were DM1.1bn ($697m). In the first nine months of this year, *earnings rose by 1 per cent to* DM628m, but pre-tax profits were 6 per cent lower at DM1.6bn. The group has been trying to bring down its high domestic production costs by streamlining its German operation and expanding overseas.

Mr Carl Hahn, the chief executive, *said production of Polos* would be shifted completely to Spain in the next few years. VW makes 500 of these small cars a day at its Wolfsburg headquarters, with 1,200 produced in Spain. It has said that it intends to make all Polos in Spain without shedding jobs in Wolfsburg.

This would mean that another model – possibly an estate version of the Golf – would have to be substituted for the Polo in *Wolfsburg. High manufacturing* costs make it uneconomic to produce small cars in Germany. Mr Stephen Reitman, motor analyst with UBS Phillips & Drew, the London stockbrokers, estimates the Polo is DM800 cheaper to produce in Spain.

VW said group turnover this year would show a rise of about 10 per cent to DM75bn, excluding Skoda, the Czech car concern, in which it is investing. *Group deliveries in western* Europe have risen by 4 per cent to 2.4m vehicles. Audi, VW's upmarket subsidiary, which has just introduced a new Audi 80 model, sold 9 per cent more cars in western Europe.

In the US, VW's sales fell by 11 per cent to about 300,000 cars.

Polly Peck administrator sues accountancy firm

By David Barchard, Andrew Jack and Richard Lapper

STOY HAYWARD, the accountancy firm, was yesterday facing legal action initiated by Touche Ross, one of the administrators to Polly Peck International, the collapsed fruit and electronics group, which could cost the firm tens of millions of pounds.

The move is likely to be one of the largest liability suits, with far-reaching consequences for the accountancy profession.

Mr Christopher Morris, the senior insolvency partner in Touche Ross and joint administrator to PPI, lodged a writ in the High Court which claims damages against Stoy Hayward for "negligence and/or breach of contractual duty of care" in the preparation of the accounts for the year to December 20 1985.

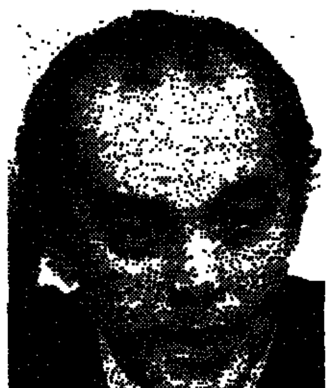
The writ was issued two days before its claim would have expired under the statute of limitations, and is believed to have been drafted to prevent the claim lapsing, which it would normally do after six years. It does not set a figure for the damages.

If successful, the suit could open the way for PPI shareholders to obtain some payment. At present they stand to gain little or *nothing from the disposals* being carried out by the administrators. The shortfall to creditors against PPI is believed to be at *least £800m*.

However, the writ is drafted in general terms and PPI has four months to serve it formally.

Stoy Hayward was auditor to PPI throughout the 1980s as well as to Wearwell, the East End textile firm owned by the family of Mr Asil Nadir, the former PPI chairman, in the 1970s.

However, Stoy did not directly audit the group's eastern Mediterranean operations but did this through Erdal & Co, a small Turkish Cypriot firm. Stoy has maintained that all proper auditing tests were applied.



Asil Nadir

For liability insurers, who cover accountants and other professionals *against claims* for negligence, the possibility of legal action against Polly Peck auditors Stoy Hayward was one of the "potential large claims overhanging the market", according to Mr Philip Foley of brokers, Minet, the insurance broker.

Stoy declined to say who their PPI insurers were but it is known that their insurance policy was placed in the London market. The policy probably provides cover of between £30m and £60m.

It is likely that no individual insurer has more than £10m in exposure. Even so, the news is likely to have a salutary effect on the market where most policies are renewed in January. Rates are already rising by at least 10 per cent, with some companies leaving the market.

In a separate development a few hours before Touche Ross launched *its suit, Coopers &* Lybrand Deloitte retained its role as an administrator of Polly Peck, in spite of mounting criticism of the firm's work for the fruit and electronics group before it collapsed.

The decision was taken by Polly Peck's five-member creditors committee at an emergency meeting. It had been convened by Mr Michael Jordan, of Cork Gully, after it became apparent that Coopers was under fire *because of its connections* with Polly Peck and its chairman, Mr Asil Nadir, during the 1980s.

Objections raised during the meeting are understood to have centred on three points: work done by Coopers on feasibility studies for Polly Peck; Coopers' role as Mr Nadir's personal taxation advisers; and the fact that Mr Hugh Brown, a close associate of Mr Richard Stone, the administrator handling corporate finance, worked for Polly Peck on the purchase of Russell Hobbs, the electrical appliances company, in 1986.

During the later 1980s Coopers hoped to win the Polly Peck audit from Stoy Haywood and there were meetings between Mr Nadir and Mr Brandon Gough, the senior partner of *Coopers, to discuss* the change.

The fact that Touche Ross, the accountancy house from which *Mr Christopher Morris, the third* administrator comes, audited Sansui, the Japanese electronics subsidiary bought by Polly Peck in 1989, was also raised.

One of the creditors' committee said last night: "They were not material issues for us and everyone was very sympathetic to the professional advisers."

In the High Court, Mr Justice Vinelott ordered the continuation *of a freezing order* on the assets of Mr Menteş Aziz, one of six defendants in a case brought by Mr Morris on behalf of the *administrators*.

NFC slips by 4% despite improvement in core units

By Roland Rudd in London

NFC, the UK transport and distribution business, reported a 4 per cent fall in pre-tax profits, from £97.7m ($177.8m) to £93.7m for the year ended October 5. The decline came despite a strong advance in its core businesses.

The fall in profits was largely because of the £19.6m decline in contributions from property activities to £6.9m, compared with £26.8m. The group has written off its £11.5m investment in the *King's Cross development project* in London.

NFC is still looking for a buyer for its Pickfords retail travel business and is *talking* to businesses in the US. It recently sold Pickfords business travel operations to Wagons-Lits, the French travel group, for £10.5m. There was a £3.3m surplus after taking into account the loss on the existing Pickfords operations. This was offset against the £11.5m property write-off, reflected as an extraordinary item of £8.2m.

The result was still within the range of the group's forecast of last year. The £93.7m pre-tax profit was achieved after a £3.4m charge for profit-sharing. *Sales* were up 2 per cent to £1.66m from £1.63m. Mr James Watson, chairman, said: "It has been a tough year with no sign of improvement in the economies and markets we serve. In such an uncertain economic climate it is reassuring that out financial strength increased."

NFC added to its international division *with acquisitions* on the continent and in the US. Mr Watson said he was confident more than half of the group's profits would come from operations outside the UK by 1995.

Transport increased operating profit by 19 per cent from £27.3m to £32.6m as reduced *overheads boosted margins*. A strong performance from BRS, the truck rental business, offset declines in the truck rental and other volume-related activities.

The logistics division, specialising in consumer products, increased operating profit 21 per cent to £38.2m from £31.5m as it continued to expand in the US.

The Home Services division suffered a fall in operating profits to £23.1m from £25.5m as demand in housing, household appliances and furniture remained weak.

Borrowings are at £98.2m, representing gearing of 29 per cent. Earnings per share remained static at 13.6p. The *final dividend was increased* to 2.25p against 1.60p making a total of 6.25p compared with 5.65p.

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La Cinq redundancy plans spark staff protest

By Alice Rawsthorn in Paris

LA CINQ, the struggling French television station, plunged into chaos yesterday as its staff threatened to strike over proposed redundancies and Mr Jack Lang, France's minister of culture, called for a review of the whole French *television system*.

Mr Lang, whose ministerial portfolio includes television, described the situation at La Cinq as "a crisis". He said the television system needed to be "reviewed and eventually transformed".

La Cinq, which is run by Hachette, the heavily-indebted French media group, is *struggling to stabilise its finances* after losses of an estimated FFr1.12bn ($200m) this year. On Tuesday, Mr Yves *Sabouret, the senior Hachette* executive installed as La Cinq's president, announced 292 job losses among the *station's permanent staff of 537*. There will be 85 redundancies among the 112 journalists.

Mr Sabouret said La Cinq *could stay* on air with 27 journalists, provided they were "innovative". He admitted that Hachette had underestimated the extent of the station's financial problems, and also the complexity of operating in the "extraordi*nary jungle*" of French TV regulation.

The announcement of the job losses heralded a storm of protest both at La Cinq and in French political circles. Mr Patrice Duhamel, the station's director of information, resigned after refusing to endorse the package.

La Cinq's employees yesterday occupied the newsroom in protest against the cuts. The technicians union called for a 24-hour strike from noon today. Tomorrow, La Cinq's employees plan a demonstration outside the Conseil Supérieur de l'Audiovisuel (CSA), the regulatory body for French television.

In the National Assembly, Mr Georges Kiejman, commu*nications minister, said the* French government was "deeply troubled" by the impact of the cuts on La Cinq's programming.

Tengelmann lifts turnover 10.6%

By Quentin Peel in Bonn

TENGELMANN, the privately-owned German retailing group, boosted its worldwide turnover in the year to last June 30 to DM46.7bn ($29.5bn), an *increase of 10.6 per cent*, according to Mr Erivan Haub, its owner.

The growth was almost entirely due to rapid expansion of the buoyant German market, above all in the former East Germany, and current trends suggest a sharp slowdown in the present year.

At the annual presentation *of the results* for what is now one of the world's largest stores groups, Mr Haub said expansion in the east would remain his top priority. At the same time, he warned of ferocious competition in that area, and insisted that he was still looking for acquisitions, both in France and Britain.

The group owns a string of German supermarket and discount store chains, such as Kaiser's, Plus, Tengelmann, and Magnet, and the majority shareholding in the US chain A&P (The Great Atlantic and Pacific Tea Company). It also has retail outlets or interests in France, Britain, Austria, Italy and Hungary.

Mr Haub, reputed to be the richest man in Germany, gave no profit figures, although he said that in 1990-91 they were "decidedly positive."

Behind the overall turnover figure is growth of 22 per cent to DM20.7bn in domestic German sales, against only 3.1 per cent to DM26bn in international sales. Since June, Mr Haub said turnover had grown some 3 per cent below target, although still 10 per cent up on the previous year, *and forecast* zero growth in core businesses for the full year.

The group, based in Mühlheim on the Ruhr, now has 600 outlets under contract in the former East Germany, which Mr Haub said would remain the top priority for development. But he warned that the rapid increase in retail capacity there would lead to much sharper competition than in the former West Germany. "I *think* there will be a rude awakening in the coming years," he said.

In the west of Germany, he said, there was an appreciable slowdown in the growth of consumer demand, and he reported a notable "trading down" among Christmas shoppers choosing less expensive items than in the past.

He said results from A&P were satisfactory, with a group turnover of $11.4bn. Third-quarter results for the group published in New York yesterday showed turnover unchanged at $2.61bn, and *profits down* $3.9m to $32m.

Proventus acquires 19.7% shareholding in Von Hall

By Robert Taylor in Stockholm

PROVENTUS, the Swedish investment company, has acquired a 19.7 per cent equity stake in Von Hall, one of Switzerland's leading industrial corporations. The price was not disclosed.

Mr Mikael Kamras, managing director of Proventus, said the acquisition of the biggest single shareholding in the group was of "long-term advantage" to the company. It now had investments in strategically profitable sectors such as environmental technology.

Von Hall's diversified activities include the production of castings and piping systems in water and gas supply applications as well as in cable and monorail transportation systems. It also specialises in equipment for the management of wastes, including gas purification and *sludge conditioning*.

The group also makes construction and agricultural machinery, and is a sizeable *sub-contractor in electrical* engineering and electronics. It has 8,000 employees in 50 production facilities, and net assets of SFr1.41bn ($1bn).

The Von *Hall acquisition is the largest* Proventus has made this year. Its strategy as an investment company is "to increase the net asset value of its shares by investing in a limited number of large companies where it can act as a responsible investor-owner".

Between 1980, when it was formed, and last year, Proventus has seen *its* net asset value grow dramatically from SKr16m ($2.8m) to SKr3.85bn, with net asset value per share compounding by an average of 43 per cent. Last year, its operating profits were SKr1.26bn. For the first eight months of 1991 they were SKr579m.

● Scandinavian Airlines System (SAS) will make a substantial loss this year after its board decided to write off SKr1.2bn in the value of its *assets, mainly property*.

The *board said* SAS would make some operating profits during the second half of this year but that its profits before *extraordinary items would* not reach last year's figure of SKr38m.

During the first half of the *year, SAS lost a record* SKr1bn, of which SKr640m was due to restructuring costs.

● Esab, the Swedish-based welding equipment producer, forecast that it would only break even this year. The board said that extra costs of around SKr100m had been incurred through a further write-down of Swedish share values, as well as losses from the sale of shares.

In the first nine months, Esab recorded a sharp profits fall, to SKr18m compared with SKr273m for the same period of last year.

The decline provides further bleak evidence of the continuing problems facing Sweden's heavy engineering companies this winter.

US deficit expected to hold back profits at Hugo Boss

By David Waller in Frankfurt

PROFITS at the Hugo Boss group, the German men's fashion company where control has *recently passed to the Italian* Marzotto group, are likely to be lower this year than they were last year.

However, profits for the parent company will be "clearly higher", the group said yesterday.

Mr Gunther Strothe, a board director, said that a loss of between $12m and $14m in the US would *hold* group profits back *this* year, despite an increase in sales of 6 to 7 per cent from DM921m to DM1bn for the year.

Problems in the US were last year the cause of a drop in net profits from DM35.9m in 1989 to DM25m ($15.8m). Mr Strothe *said that the outlook for next* year was favourable.

Noting, for the first time in some years, a higher rate of *sales* growth in *the domestic* business than in the overseas operations, the company said that sales of the parent company *had climbed by about 10* per cent to exceed DM700m for the year.

Mr Jochen Holy, deputy chairman, said that net profits for the parent company in 1991 would be "clearly higher" than the DM25.17m made last year.

Boss said yesterday that Manifatta Lane Gaetano Marzotto & Figli had completed the acquisition of 63.7 per cent of *the voting* shares in the German company.

The shares were bought from Leyton House, a private*ly-owned Japanese company*.

The Italian company has an option to purchase a further 13.8 per cent of the voting *shares from Mr Jochen* and Mr Uwe Holy, the two brothers who founded the company and are still on the main board, *giving it effective* control of 77.5 per cent of the voting shares. The total price paid is thought to be $165m.

Net earnings at IFI advance to L212bn

By Robert Graham *in Rome*

ISTITUTO Finanziario Industriale (IFI), the financial holding company of Italy's Agnelli family, raised net earnings to L212bn ($177.85m) in the half-year ended September 13, compared with L205bn during the same period in 1990.

The modest increase derived from dividends equivalent to *L171bn*, dating back to the previous year, plus profits on share sales worth L71bn.

The holding company's main *asset is a stake of around 35 per cent, held both directly* and through subsidiaries, in the Fiat Autos and Industrial Group.

IFI said the book value of its holdings stood at L1,159bn. This represented a L5bn drop compared to that reported on March 31, at the close of the financial year, attributable to the sale in July of a further quota of ordinary shares in the Fabbri publishing group.

Alcatel in talks on business sale

By Alice Rawsthorn

ALCATEL-ALSTHOM, the French telecommunications equipment group, is in talks with "a number of potential purchasers" for its mailroom products business.

The group said talks on the disposal were proceeding well. However, it could not say when it was likely to reach an agreement on the sale.

Alcatel has been concentrating on becoming a global force in mailroom products, which include mail franking and *weighing machinery, since the* early 1980s, following its acquisition of Roneo from Vickers, the UK industrial group.

The business, which forms part of Alcatel's telecommunications division, now employs 3,000 people, chiefly in Canada, France, the Netherlands, the US and the UK. Last year, it made sales of FFr1.8bn ($330m).

However, Alcatel has not been as successful in mailroom products as it originally hoped. Last month, it announced *plans to sell the business to* concentrate resources on the development of its mainstream telecommunications activities.

The group is expected to be angered by the proposals of Mrs Edith Cresson, the French prime minister, to create a state-owned high-tech super group in France. Last year, the company ran into controversy when its attempt to take control of Framatome, France's nuclear reactor manufacturer, was blocked by Mr François Mitterrand, the French presi*dent, after a political storm*.

Move on Accor bid

A GROUP of Belgian shareholders in Wagons-Lits, the French-Belgian travel company, yesterday filed suit in a Brussels commercial court to *demand that the takeover bid* for their company by Accor, the French hotels group, be raised, AP reports from *Brussels*.

INTL. COMPANIES AND CAPITAL MARKETS

O'Reilly in court move to block purchase of Fairfax

By Emilia Tagaza in Canberra

A LOSING bidder for the Fairfax newspapers yesterday launched a last-ditch legal challenge to stop the Monday completion of the purchase by the Tourang consortium led by Canadian publisher Mr Conrad Black.

The Australian Provincial Newspapers (APN), led by Mr Tony O'Reilly, has applied for a Federal Court order to stop the Tourang consortium from completing the A$1.4bn (US$1.08bn) purchase on the grounds that it may breach Australian media ownership and trade practices laws.

APN argued that the A$412m share placement being underwritten by Tourang's brokerage house, Ord Minnett, breached the media cross-ownership rules. Ord Minnett is a full subsidiary of Westpac Banking Corporation, which also fully owns the Channel 10 television network.

Australia's Broadcasting Act prohibits owners of television or radio stations from holding more than 15 per cent of leading newspapers circulating in the same market.

APN also argued that Tourang's exclusive agreement with the US junk bond holders to convert their bonds into Fairfax equity was in breach of the Trade Practices Act's exclusive dealing proposition.

At the preliminary proceedings, Justice Shepherd said the Fairfax sale was at a delicate stage and stressed that the court had formed no views whether there were legal grounds for stopping the purchase.

The proceedings were adjourned until Monday, by which time Tourang is expected to have wrapped up the purchase.

In Melbourne, where he met the management of The Age, one of the Fairfax flagships, Mr Black said the court action was frivolous and vexatious.

He said there would be a problem with media cross-ownership rules if Ord Minnett was unable to place all the A$412m worth of shares on offer and was forced to buy some of it. He added that the underwriting was already well over-subscribed and that Tourang had a sub-underwriter if one were needed.

The key to Tourang's successful A$1.4bn bid was its promise of a quick completion and an immediate delivery of A$690m next week. Part of this is the A$412m being raised by Ord Minnett from institutional investors.

ANZ to axe 3,000 jobs in 1992

By Mark Westfield in Sydney

ANZ, the Australian banking group, is to cut staff by 3,000 next year in an effort to reduce costs and increase efficiency. The announcement, by Mr Will Bailey, executive and deputy chairman, follows 2,280 job cuts at the bank this year.

About half of the retrenchments and redundancies will take place in Melbourne, where the bank has its headquarters. Mr Bailey said the cuts, combined with an overhaul of operations, would be a major step towards "best practice".

ANZ, with assets of A$104bn, suffered a 35.5 per cent fall in net earnings for the year to September 30 to A$266.2m (US$206.3m) from A$412.5m.

The news of further staff cuts at ANZ comes two days after Australia's largest life office, the AMP, said it would retrench 550 people to save A$55m a year in costs. National Mutual Life, the country's second biggest life group, said on Monday when announcing lower results that it had cut staff by 1,000 during the year. ANZ's three rivals have all made significant cuts during the year. Westpac Banking Corporation has shed 3,000 jobs, National Australia Bank 1,695 and the Commonwealth Bank 1,600 jobs.

ANZ said in its annual report released yesterday that growth in non-accrual loans was expected to slow early year, but this was dependent on the performance of the economy over the next few months.

Caterpillar and MHI in venture

By Barbara Durr in Chicago

CATERPILLAR, the world's largest earth-moving equipment-maker, is to explore a new joint venture with its long-time business partner, Mitsubishi Heavy Industries of Japan.

The proposed company would design, manufacture, and distribute lift-trucks and materials handling equipment as well as related parts and components.

The venture, which would involve Caterpillar's wholly-owned subsidiary Caterpillar Industrial, would initially distribute both Caterpillar and Mitsubishi brands of lift trucks and other products through the two companies' networks outside Japan.

The joint venture company would eventually design, make and market a new line of products that would be sold through its own dealer network.

This latest project cements a lengthy working relationship between Caterpillar and Mitsubishi. Since 1963, they have been partners in a joint venture company in Japan called *Shin Caterpillar Mitsubishi* which designs and manufactures construction equipment.

Over the next several months, the companies said they expected to draw up the structure of and level of investment in the new joint venture. But it is anticipated that Mitsubishi will own up to 50 per cent of its equity.

For the initial phase, manufacturing will continue at Mitsubishi's Houston, Texas, plants and at CII's Mentor, Ohio, location. Outside the US, manufacturing will be in Almere, the Netherlands and other unspecified locations under licence and contract *agreements*.

The announcement comes as Caterpillar is embroiled in a increasingly unpleasant labour dispute with the United Auto Workers union.

Digital Equipment sees loss for quarter

By Louise Kehoe in San Francisco

SHARES of Digital Equipment, the world's second largest computer manufacturer, plunged yesterday when the company said it expected to report an operating loss for its second quarter, ending December 28.

Digital's shares opened yesterday at $50½, down $6 from Tuesday's close, but picked up to $51¾ by midday. Analysts projected that the operating loss could be 40 cents to 60 cents a share, reversing previously optimistic projections of net income of around 55 cents a share.

Digital said demand for its larger mainframe computer systems has slumped because of "weak worldwide economic conditions and competitive pressures".

Like other computer companies, Digital has been struggling in the face of an global industry-wide recession that has created weak demand and prompted widespread price discounting, especially in the mainframe sector, traditionally one of the most profitable segments of the computer market.

Digital also noted that several new products, including low-cost workstations, announced recently, are not yet being shipped in significant volume but they were expected to be fully available during the March quarter.

For the fiscal year ended in June, Digital reported its first-ever annual loss of $617m after taking heavy restructuring charges to cover the cost of thousands of layoffs.

Digital has said that it planned to reduce its workforce by an additional 10,000 people this year.

For the first quarter of this year, Digital reported a small increase in profits, but failed to meet analysts' expectations.

Koor has first net profit for five years

By Hugh Carnegy in Jerusalem

KOOR Industries, Israel's biggest industrial group, yesterday announced its first net profit for five years. It returned to the black in the first nine months of the year thanks to the restructuring of its billion-dollar debts completed in September.

Mr Benni Gaon, chief executive, said the results confirmed Koor had moved to a solid performance from a long period of uncertainty over its future. This had culminated in the Israeli and foreign bank creditors taking over the majority of the stock from the Histadrut trade union federation which previously had full control of the group.

Koor showed a net profit of Shk169m ($71m) on sales of Shk3.9bn in the nine-month period, compared with a net loss of Shk77m in the first three quarters of 1990.

This was largely due to a Shk312m extraordinary credit attributable to the debt restructuring agreement. However, operating profit was up sharply to Shk308m, from Shk160m.

Shareholders equity at end-September stood at Shk434m, 7.7 per cent of the balance sheet total and a turnround from the Shk48m deficit shown at end-1990.

Mr Gaon said Koor was considering a public flotation in the US of its stake in Tadiran, its biggest subsidiary, as one of its options for reducing by $100m its remaining group debt of $300m as specified in its agreements with the Israeli bank creditors.

Special gain puts Campeau in the black

By Robert Gibbens in Montreal

CAMPEAU Corp, now a property company, reported a net profit of C$149m (US$130.7m), or $3.17 a share, for the first nine months to October 31, on revenues of C$185m. But the profit included a non-recurring C$235m gain on the sale of real estate without which it would have reported a loss for the period.

A year earlier, Campeau suffered a loss of C$548m, or $12.57 a share, which included the C$477m share of losses of its former US retail affiliates. Revenues were C$192m.

■ The Allied and Federated Stores groups are being restructured under US Chapter 11 bankruptcy and Campeau will not retain control of these operations. Campeau has excluded its share of their losses since the start of its current fiscal year ending January 31 1992.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on December 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	107	+⅛	6.48
ALBERTA PROVINCE 9 3/8 95	600	109⅛	109⅝	−⅛	6.54
AUSTRIA 8 1/2 00	400	105⅜	106⅛		7.52
BANK OF TOKYO 8 3/8 96	100	104¼	105¼	+¼	7.04
BELGIUM 9 5/8 98	250	111⅝	112	+⅛	7.32
BFCE 7 3/4 97	150	104⅛	104½	+¼	6.77
BNP 8 5/8 94	300	106¼	106⅝		5.96
BRITISH GAS 8 3/8 99	350	105¼	105⅝	+⅛	7.45
CANADA 9 96	1000	109	109¼		6.47
CARCO 9 1/4 96	650	103¼	103⅞	−⅛	8.39
CCCE 9 1/4 95	300	108⅞	109¼	+⅛	6.10
COUNCIL EUROPE 8 96	100	105¼	105⅝		6.63
CREDIT FONCIER 9 1/2 99	300	111¾	112⅛	+⅛	7.33
DENMARK 8 1/4 94	150	105⅝	106		5.89
DENMARK 9 1/4 95	1571	108⅞	109⅛	+⅛	6.14
ECSC 8 1/4 96	193	106⅛	106⅝	+⅛	6.75
EEC 8 1/4 96	100	106	106½	+¼	6.65
EIB 7 3/4 96	250	104⅜	104⅞	+⅛	6.59
EIB 9 1/4 97	1000	110⅝	111	+⅛	6.96
ELEC DE FRANCE 9 98	200	108⅝	109⅛	+⅛	7.20
EURO CRED CARD TST 9 94	325	104⅞	105½	+⅜	7.07
EUROFIMA 9 1/4 96	100	108½	109¼		6.85
EXPORT DEV CORP 9 1/2 98	150	111⅛	111⅝		7.27
FINLAND 7 7/8 97	200	102⅞	103⅛	−¼	7.18
FINNISH EXPORT 9 3/8 95	200	109¼	109⅝		6.57
FORD CAPITAL 9 3/4 97	250	106	106⅛	+⅛	8.32
GEN ELEC CAPITAL 9 3/8 96	300	109	109⅜	+½	6.94
GMAC 9 1/8 96	200	104⅝	104⅞		7.85
GUINNESS FINANCE 8 94	200	104½	105	+⅛	6.05
IBM INTL FIN 7 3/4 94	200	104	104⅜	−⅛	5.84
IND BK JAPAN FIN 7 7/8 97	200	102¾	103¼	+⅛	7.22
INTER AMER DEV 7 5/8 96	200	103¾	104⅛	+¼	6.66
ITALY 8 1/2 94	1500	106⅞	107	+⅛	5.81
JAPAN DEV BK 8 94	150	104⅞	105¼	+⅛	5.82
KANSAI ELEC PWR 10 96	350	110⅞	111½	−¼	6.96
LTCB FIN 8 97	200	102¾	103¼	+½	7.33
NEW ZEALAND 9 94	850	107	107⅜		6.09
NIPPON CRED BK 10 3/8 95	150	110⅛	110⅝		7.03
NIPPON TEL & TEL 9 3/8 95	200	108⅜	108⅞	−⅛	6.39
ONTARIO 8 1/2 01	600	103⅜	104⅛		7.90
ONTARIO HYDRO 11 5/8 94	200	110⅝	111½	−⅛	6.16
OSTER KONTROLLBANK 8 1/2 01	200	105	105⅜		7.71
PETRO-CANADA 7 1/4 96	200	101⅞	102⅛	−⅛	6.80
QUEBEC HYDRO 9 3/4 98	150	110	110½	−⅛	7.78
QUEBEC PROV 9 98	200	106⅞	107⅜	+⅛	7.57
SAINSBURY 9 1/8 96	150	107⅝	108⅛		7.17
SAS 10 99	200	106⅞	108⅛		8.66
SBAB 9 1/2 95	500	109	109⅝		6.48
SNCF 9 1/2 98	150	110⅞	111¼		7.34
STATE BK NSW 8 1/2 96	200	105⅛	105⅜	+⅛	7.12
SWEDISH EXPORT 8 3/8 96	700	106⅛	106½	−⅛	9.01
TOKYO ELEC POWER 8 3/4 96	300	107½	107⅞	+⅛	6.81
TOKYO METROPOLIS 8 1/4 96	200	106	106⅜	+⅛	6.76
WORLD BANK 8 3/8 99	1500	106⅛	106⅞		7.35
WORLD BANK 8 3/4 97	1500	109¼	109⅝		6.73
XEROX CORPN 8 3/8 96	100	103⅝	104½	+¼	7.49

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	100⅛	100¾	−¼	11.05
BK ECON USSR 7 96	750	59⅞	59⅞	−5	22.49
BULGARIAN TRADE BK 8 1/2 96	200	83½	83½	−¼	13.52
CZECH OBCHODNI BANKA 10 95	350	93⅛	93¼	−2⅞	12.37
DEUTSCHE FINANCE 7 1/2 95	1000	96⅞	96⅞		8.68
EIB 5 3/4 98	400	87½	87½		8.38
EIB 6 7/8 95	300	96¼	96¼	−⅛	8.06
EUROFIMA 6 1/4 98	400	89¼	89¼	+⅛	8.43
FIRST INTERSTATE 5 3/4 96	100	84⅜	85⅛	−⅜	10.22
IND BK JAPAN FIN 5 5/8 96	200	89¼	89¼		8.68
IND DEV BK INDIA 6 3/8 94	200	88	88		11.30
LUFTHANSA INT FIN 5 7/8 98	300	86⅛	86⅛		8.75
NACIONAL FINANCIERA 11 95	150	101	101	−⅛	10.60
NAT BK HUNGARY 8 96	200	91½	91½	+¼	10.29
QUEBEC HYDRO 6 3/4 99	300	89¼	89¼		8.70
SWEDEN 6 1/8 98	300	89⅝	89⅝		8.37
WORLD BANK 0 15	2000	19⅛	19¼	+¼	7.13
WORLD BANK 5 3/4 96	300	91¼	91¼	+¼	8.30
WORLD BANK 7 1/8 95	500	96¼	96¼		8.36

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	86½	87	−¼	7.34
AUSTRIA 4 5/8 98	100	88¼	88½	+¼	7.04
CHUBU ELEC POWER 6 3/4 01	300	99	99½	+¼	6.89
COUNCIL EUROPE 4 3/4 98	250	89¼	89½		6.95
EEC 5 1/2 00	100	90	91		7.04
EIB 6 1/2 98	600	98¼	98⅞		6.73
ELEC DE FRANCE 7 1/4 06	100	102	102½		7.02
FINLAND 5 3/8 95	250	94½	95	+¼	7.04
GENERAL MOTORS 7 1/2 95	100	98	99	−¼	8.19
JAPAN DEV BK 5 1/2 94	100	97	98	−¼	7.04
KOBE 6 3/8 01	240	96¼	96½		6.91
NEW ZEALAND 4 7/8 99	200	86¼	86¾	−¼	7.42
QUEBEC HYDRO 5 08	100	72½	73¼	−½	8.10
WORLD BANK 5 03	150	84	84¼	+⅛	7.06
WORLD BANK 7 01	600	101⅛	101⅞	+¼	6.75

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	98⅛	98⅝		5.66
CREDIT FONCIER 5 1/4 94	20000	98½	98⅝		5.95
DENMARK 7 95	40000	103⅞	104	+¼	5.65
EIB 4 5/8 94	40000	97⅞	98⅛		5.59
ELEC DE FRANCE 5 5/8 96	20000	99	99½		5.86
FINLAND 6 3/4 96	50000	102½	102⅞		6.06
INTER AMER DEV 7 1/4 00	30000	108½	108⅞		5.93
KANSAI ELEC PWR 4 5/8 94	60000	97¼	97½		5.89
NIPPON TEL & TEL 5 7/8 96	50000	100⅛	100⅝		5.84
NORWAY 5 1/8 95	50000	98⅜	98⅝	+¼	5.67
SNCF 6 3/4 00	30000	105⅝	105⅝		5.90
SWEDEN 5 5/8 95	20000	98⅞	99⅛		5.96
WORLD BANK 6 3/4 00	50000	105⅞	106⅛	+⅛	5.83

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ALBERTA PROVINCE 10 5/8 96 C$	500	106⅛	106⅝	+⅛	8.71
BELL CANADA 10 5/8 99 C$	150	106⅛	106⅝	+⅛	9.41
BRITISH COLUMBIA 10 96 C$	500	104⅜	104⅝		8.74
EIB 10 1/8 98 C$	130	106⅞	107⅜	+1⅛	8.74
ELEC DE FRANCE 9 3/4 99 C$	275	104	104½		8.99
GEN ELEC CAPITAL 10 96 C$	300	104⅛	104⅝		8.82
KFW INT FIN 10 01 C$	400	103⅞	104⅜	−⅛	9.34
NIPPON TEL & TEL 10 1/4 94 C$	200	105⅝	106⅛		9.20
ONTARIO HYDRO 10 7/8 99 C$	500	107⅝	107⅞		9.36
OSTER KONTROLLBANK 10 1/4 99 C$	150	105⅝	106⅛		9.17
QUEBEC PROV 10 1/2 98 C$	200	105⅜	106⅛	+⅛	9.33
BELGIUM 9 1/8 96 Ecu	1250	100⅜	100⅞		8.88
CREDIT LYONNAIS 9 96 Ecu	125	96⅜	98½	−1⅛	9.92
DENMARK 7 5/8 96 Ecu	250	91⅝	92⅞	−½	10.07
EEC 7 5/8 94 Ecu	200	96⅜	97¼		9.31
EIB 10 97 Ecu	1125	105	105⅛	+⅛	8.74
FERRO DEL STAT 10 1/8 98 Ecu	500	104⅜	104⅞	+⅛	9.07
ITALY 10 3/4 00 Ecu	1000	110⅜	110⅞	+⅛	8.85
UNITED KINGDOM 9 1/8 01 Ecu	2750	103⅛	103⅜	+⅛	8.61
BP AMERICA 12 1/4 96 A$	100	109⅛	109⅝	+⅛	9.50
COMM BK AUSTRALIA 13 3/4 99 A$	100	117⅝	118	+⅛	10.32
EKSPORTFINANS 12 3/8 95 A$	75	110⅞	111¼	+⅛	8.60
EUROFIMA 14 5/8 94 A$	75	112⅝	113⅛	+⅛	8.50
MCDONALDS CANADA 15 95 A$	100	116⅛	116⅝	+⅛	9.37
NAT AUSTRALIA BANK 14 3/4 94 A$	250	111½	112	+⅜	8.64
STATE BK NSW 14 1/4 99 A$	100	118	118⅜	+¼	10.70
UNILEVER AUSTRALIA 12 98 A$	150	109⅛	109⅝	+¼	9.96
VOLKSWAGEN INTL 15 94 A$	100	111⅞	112⅜		9.13
ABBEY NATL TREAS 13 3/8 95 £	100	107⅛	107⅝		10.59
ALLIANCE & LEICS 11 3/8 97 £	100	101⅞	102⅛	+⅛	10.89
BRITISH GAS 12 3/4 95 £	300	106⅛	106½	+¼	10.34
DEUTSCHE BK FIN 11 94 £	225	101⅜	101⅞		10.21
EIB 10 97 £	536.5	99⅞	100⅛		10.05
FINLAND 10 1/8 97 £	100	100⅛	100⅝	−⅛	10.07
INTER AMER DEV 11 3/8 95 £	75	103	103½		10.25
ITALY 10 1/2 14 £	400	100⅛	100⅝	+⅛	10.46
LAND SECS 9 1/2 07 £	200	86½	87		11.38
NORWAY 10 1/2 94 £	200	100⅞	101⅛	−⅛	9.99
ONTARIO 11 1/8 01 £	100	103⅜	104⅛		10.46
SEVERN TRENT 11 1/2 99 £	150	102⅞	103⅛	−⅛	10.89
SKANDINAVISKA ENSK 13 1/8 95 £	100	106	106½	+¼	10.76
TOKYO ELEC POWER 11 01 £	150	104	104½	−⅛	10.30
WORLD BANK 11 1/4 95 £	100	102⅞	103⅜		10.16
ABBEY NATIONAL 0 96 NZ$	100	64	65	+⅛	9.76
BNP 12 96 NZ$	50	109⅜	110⅜		9.14
CEPME 10 95 FFr	2000	102	102⅞		9.27
ELF-AQUITAINE 9 99 FFr	600	99⅛	99⅝	+⅛	9.15
EURATOM 7 5/8 98 FFr	500	92	92½	−¼	9.30

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.52	99.60	10.6425
BANCO ROMA 0.03 01	200	91.28	92.50	6.4675
BELGIUM 1/16 97 DM	500	99.96	100.06	9.5000
BFCE −0.02 96	350	100.20	100.30	4.9175
BNP 05	300	95.52	96.52	5.5625
BRITANNIA 1/10 96 £	150	99.12	99.28	10.6625
CCCE 06 ECU	200	99.93	100.03	10.1563
CITIZENS FED 0.15 96	100	99.46	99.95	5.9625
CREDIT FONCIER −1/16 98	200	100.36	100.46	5.3438
DENMARK −1/8 96	1000	99.83	99.93	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.98	100.07	9.5156
ELEC DE FRANCE 1/8 99	400	100.92	102.00	6.0625
FERRO DEL STAT 94	200	100.51	100.75	5.9375
HALIFAX 1/10 94 £	200	99.93	100.01	10.5375
IRELAND 98	300	99.50	99.60	4.4600
ITALY 00	500	100.44	100.54	6.3750
LEEDS PERMANENT 1/8 96 £	200	99.34	99.43	10.4375
LLOYDS BANK 1/10 PERP S.3	600	80.00	82.00	6.0375
MITSUI FIN ASIA 1/8 96	100	99.85	99.97	5.9375
MORGAN (JP) 1/4 97	250	99.06	99.79	5.2500
NAT WEST FIN 3/16 05	400	91.00	92.00	5.5000
RENFE 98	500	99.97	100.10	5.0000
SOCIETE GENERALE 96	300	99.59	99.69	5.6250
STATE BK VICTORIA 0.05 99	125	98.19	98.44	6.4875
UNITED KINGDOM −1/8 96	4000	99.97	100.01	5.2500
YORKSHIRE BS 1/10 94 £	165	99.61	99.69	10.5063

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	125½	127⅛	
CHUBB CAPITAL 6 98	250	86	102⅛	103⅛	+29.47
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	93⅛	93⅞	+13.85
EASTMAN KODAK 6 3/8 01	300	50.67	101	102	+13.41
GOLD KALGOORLIE 7 1/2 00	65	1.0554	79⅛	80⅛	+38.99
HANSON 9 1/2 06 £	500	2.5875	94½	95⅛	+23.81
HAWLEY 6 02 PREF	400	19.1	75	78⅛	
HILLSDOWN 4 1/2 02 £	150	3.97	115	116	
LAND SECS 6 3/4 02 £	84	6.72	82⅛	83⅛	+18.94
LASMO 7 3/4 05 £	90	5.64	74⅜	75⅜	+64.50
MITSUI BANK 2 5/8 03	200	2337⅛	89⅜	91½	+15.98
MOUNT ISA FIN 6 1/2 97	100	2.283	89½	90½	+24.34
OGDEN 6 02	85	39.077	78⅛	79⅛	+68.70
SMITH & NEPHEW 4 02 £	90	1.775	118⅛	119⅛	+59.35
SUMITOMO BANK 3 1/8 04	300	3606.9	72	72⅜	+21.69
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	88⅛	89⅛	
THORN EMI 5 3/4 04 £	103	7.45	117	118	+18.11

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

LEGAL NOTICES

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS
WORSHIP STREET (No 1) LIMITED
(In Receivership)
Registered number: 2195643.
Former company names: Robert Fraser (Worship Street) Limited
Halsdean Properties Limited
Nature of business: Property Holding Company
Trade Classification: 35
Date of appointment of administrative receivers: 12 December 1991
Name of person appointing the administrative receivers: Banque Nationale de Paris
Joint Administrative Receivers:
Maurice Withall and Scott Barnes,
Grant Thornton,
Grant Thornton House,
Melton Street, Euston Square,
London NW1 2EP.
Office numbers: 2959 and 6323

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS
TRACKSIGN PROPERTIES LIMITED
(In Receivership)
Registered number: 2196012.
Nature of business: Property Holding Company
Trade Classification: 35
Date of appointment of administrative receivers: 12 December 1991
Name of person appointing the administrative receivers: Banque Nationale de Paris
Joint Administrative Receivers:
Maurice Withall and Scott Barnes.
Grant Thornton, Grant Thornton House.
Melton Street, Euston Square,
London NW1 2EP.
Office numbers: 2959 and 6323

Rule 3.2 NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
CANNON ESTATES LIMITED
Registration number: 1504171
Trade Classification: 8500
Names and Addresses of Joint Administrative Receivers
Nigel Raddock, The Galleria, Station Road, Crawley, West Sussex RH10 1HY
Neil Hunter Cooper, 186 City Road, London EC1 2NU
Date of Appointment: 12th December 1991
By whom Appointed: National Westminster Bank PLC
Date of Charge: 20th May 1991
Nature of Charge: Mortgage Debenture Conferring Fixed and Floating Charge

INTERNATIONAL CAPITAL MARKETS

German market declines on fears of rate rise

By Sara Webb in London and Karen Zagor in New York

THE German Bundesbank's announcement that it will hold a press conference after its regular fortnightly council meeting today immediately fuelled fears of an increase in German interest rates. The news wiped out early gains in the German government bond market which closed lower on the day.

GOVERNMENT BONDS

However, traders said the market was "somewhat confused" by the conflicting signals sent out by the Bundesbank yesterday.

Although the central bank left interest rates unchanged in its money market operations, it issued tough warnings on inflation and monetary policy in its December monthly report.

In the money market, the Bundesbank allocated DM23.6bn of one-month funds, mostly at rates of 9.20 per cent, and DM9.2bn of two-month funds, mostly at 9.25 per cent.

The Bundesbank injected DM2.2bn in liquidity into the market, but left rates unchanged on the previous week.

The Bundesbank's discount rate stands at 7.5 per cent, while the Lombard rate is 9.25 per cent.

However, the Bundesbank's December monthly report released yesterday warned that it would be necessary to continue with a restrictive monetary policy because of the current high price increases.

The central bank pointed out that year-on-year wage growth was around 6.5 to 7 per cent in November, and consumer prices were up around 4 per cent in the same month.

The Bundesbank added that its 1992 M3 growth goal of 3.5 to 5.5 per cent, which is above the 1991 goal of 3 to 5 per cent, should not be seen as an easing.

The stern warnings come at a time when Germany's Public Service and Transportation Union (OeTV) has demanded a pay increase of 9.5 per cent for the 1992 wage round.

Traders said a small rise in German interest rates is unlikely to be a serious blow for the bond market as many participants would see this as the final hike in rates before the Bundesbank was free to start easing rates again.

Recently, international investors have started to reallocate their portfolios to place more emphasis on the European markets.

■ UK GOVERNMENT bond prices ended mixed yesterday on low volumes and in the absence of important UK economic data.

The benchmark 11¾ per cent gilt due 2003/07 inched up from 114⅝ to 114⅞, while short-dated gilts were mostly unchanged.

The Liffe gilt future contract closed slightly lower on the day at 96.21, having opened at 96.26, though traders said volume was below average at around 11,000 contracts.

■ THE Japanese government bond market closed virtually unchanged on the day in dull trading.

Despite some profit-taking, prices were supported by hopes that the US Federal Reserve may lower interest rates soon.

The yield on the benchmark No 129 moved in a narrow range of 5.62 to 5.645 per cent, closing at 5.64 per cent.

■ US TREASURY prices edged lower yesterday morning as the market became unsettled in the absence of any signs that monetary policy had been eased.

At mid-session, the Treasury's benchmark 30-year bond was ⅛ lower at 102¾ to yield 7.76 per cent. Similar losses were posted at the short end of the yield curve.

The prospect of an easing has dominated trading in recent weeks since the release of the November employment report and other economic indicators which have all pointed to continued recession.

The day started with high hopes that the Federal Reserve would cut the discount rate by as much as 50 basis points to 4 per cent and that the target for Fed funds might drop to 4.25 per cent.

But there was no action in the early morning, and by mid-session there was growing talk that the Fed would wait for the December employment report on January 10 before changing policy.

The Fed entered the market to arrange $1.5bn of customer repurchase agreements when Fed funds were trading at 4½ per cent, the perceived target for the rate. The action, while unexpected, was not seen as a sign that monetary policy had been eased although it did not preclude an easing.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	114.7800	+0.135	9.65	9.65	9.82
BELGIUM		9.000	06/01	99.9000	-	9.00	9.11	9.06
CANADA *		8.500	04/02	100.6000	+0.350	8.42	8.51	8.37
DENMARK		9.000	11/00	101.1750	+0.005	8.80	8.93	8.85
FRANCE	BTAN	8.500	11/96	97.8960	-0.038	9.04	9.11	8.98
	OAT	9.500	01/01	104.6900	-0.050	8.69	8.82	8.81
GERMANY		8.25	09/01	100.5400	-0.010	8.16	8.27	8.24
ITALY		12.000	08/01	97.3300	-0.040	12.49	12.56	12.57
JAPAN	No 119	4.800	06/99	94.0799	-0.072	5.94	5.95	6.18
	No 129	6.400	03/00	104.2523	-0.089	5.64	5.61	5.85
NETHERLANDS		8.500	03/01	98.8900	+0.020	8.67	8.77	8.73
SPAIN		11.900	07/96	100.6700	+0.170	11.64	11.65	11.95
UK GILTS		10.000	11/96	101-03	+1/32	9.71	9.75	9.77
		10.000	02/01	102-15	-3/32	9.59	9.64	9.70
		9.000	10/08	97-00	-2/32	9.35	9.43	9.52
US TREASURY *		7.500	11/01	102-06	-2/32	7.19	7.17	7.32
		8.000	11/21	102-25	-1/32	7.76	7.79	7.84

London closing, *denotes New York morning session. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

Italians join in Polish state bank sell-off

By Christopher Bobinski in Warsaw

THE MONTE dei Paschi di Siena bank of Italy has signed a memorandum of understanding over the possible purchase of 49 per cent of Poland's state-owned Export Development Bank (BRE).

The Polish government hopes to complete the privatisation of the BRE, founded in 1986 and originally designed to finance export-oriented projects, by the end of February.

This will be the first sale of a state-owned bank, although two more sell-offs, of the Bank Slaski and the Wielkopolski Bank Kredytowy, are being prepared. Announcements are expected in the first half of next year.

The BRE, whose privatisation is being handled by Rothschild's, has a net asset value of $66m, and will have 10 domestic branches by the end of next year.

At the moment, 61 per cent of BRE's equity is held by government ministries and the NBP, the central bank, and these shares are to be offered for sale. The balance is controlled by state enterprises.

A new share issue raising BRE's capital by 43 per cent is due to accompany the sale.

Should the Monte dei Paschi di Siena bank decide to purchase the BRE, 19 per cent of its 49 per cent share would come from the Polish Treasury and 30 per cent represent new capital for the bank.

The remaining shares would be sold through a domestic public offer and the BRE's shares would then be traded on the Warsaw Stock Exchange.

Belgian bank to buy affiliates

GENERALE Bank, Belgium's largest bank, is to take over its two Belgian venture capital affiliates, Vlaamse Investeringsvennootschap (VIV) and Synerfi, in which the bank already holds 25 per cent, Reuter reports.

Capital adequacy rules delayed

By Andrew Hill in Brussels

PROGRESS towards common capital adequacy standards for securities firms within Europe are being held up by continuing deadlock over other securities industry legislation.

A new compromise on capital adequacy rules – which would apply to both securities firms and the "market-risk" operations of banks – was debated by national officials in Brussels yesterday, and could be put to ministers by next March.

But progress on the capital adequacy directive is being hampered partly by the deadlock over investment services legislation. This would allow securities firms to operate throughout the EC.

After a meeting on the investment services directive broke up on Monday inconclusively, a national official said: "It [the deadlock] might mean that it will be more difficult to make headway with capital adequacy because the interest in harmonising capital requirements will be reduced if the firms you are harmonising don't get a European passport."

At the end of Monday's meeting, Mr John Redwood, the British corporate affairs minister, blamed the French – represented by Mr Jean-Claude Trichet, the treasury director – for not giving ground on the issue of transparency, the speed and method by which stock market trades are made public.

But other delegations have since indicated that the British were also unwilling to budge. One national official went further and said later: "It's our view that the UK came to the meeting not to get a deal but to wreck a deal."

The British lead a group of countries pressing for more liberal regulation, while France leads states eager to keep tight control over stock markets.

The capital adequacy directive is at an earlier stage of development than the investment services measure but is characterised by a similar dispute. Countries such as Spain and Germany wish to apply tight bank-style rules to securities firms – which, it is claimed, would add substantially to their costs – while others, like Britain, Denmark and the Netherlands, want to preserve the distinction between the regulation of banks and brokers.

John Redwood: blamed the French for hold-up

The directive contains complex formulae for calculating the risk to which a credit institution or investment firm is exposed, and the funds necessary to cover that risk.

The Dutch presidency is now suggesting that securities firms should be able to include subordinated loan capital as part of their capital for regulatory purposes, and that rules for credit institutions should be relaxed so that banks can cover their securities trading risks with the same short-term debt instruments.

However, progress has also been hampered by continuing differences of opinion between groups of international banking and securities regulators.

The EC is treading a path between two regulatory bodies – a sub-committee of the Basle group of international banking regulators and the International Organisation for Securities Commissions (Iosco). But as one Commission official put it yesterday: "This is a path which sometimes seems non-existent."

Goldman Sachs taps Dutch guilder sector

By Simon London

GOLDMAN Sachs yesterday became the latest foreign borrower to tap the Dutch guilder sector of the international bond market, raising Fl 200m five-year funding in a deal lead-managed by Rabobank.

INTERNATIONAL BONDS

The issue is the latest in a recent spate of deals by Dutch and overseas financial institutions. Merrill Lynch raised Fl 150m two weeks ago.

One reason for the issuance is that yield spreads in the sector tend to be significantly lower than elsewhere. For example, the Merrill Lynch paper was launched at a yield spread of 34 basis points over government debt, a level reserved for sovereign-backed borrowers or supranational agencies in most other currency sectors.

Against this, currency and interest rate swaps opportunities are rare.

The bonds launched yesterday carry a 9⅜ per cent coupon and were priced to yield 9.156 per cent, a yield spread of around 55 basis point more than comparable government securities.

Like earlier deals, the issue attracted good buying from within the Netherlands, although buying by other European retail investors remained muted so close to the year end.

Also in the sector, Banque Indosuez launched a Fl 600m zero-coupon issue, lead managed by Banque de Suez Nederland. The 12-year bonds were priced at 36.34, to yield 8.80 per cent. There is no directly comparable government security, but the 10-year benchmark government bond currently yields around 8.60 per cent.

Buying was restricted almost entirely to Dutch financial institutions, hungry for long-dated paper. However, demand was sufficient for the deal to be increased from Fl 500m during the day.

● Volkswagen plans to double the size of its commercial paper programme to DM2bn from January 1992. The programme was launched in May at DM500m and increased to DM1bn in August.

SIB considers new controls after Fox market scandal

NEW regulatory arrangements are being considered for investment exchanges in the UK following the market-rigging scandal this autumn at London Fox, the soft commodities futures and options exchange, writes Richard Waters.

The exchange itself, along with five of its member-firms, has admitted to undertaking non-commercial trades to create the illusion of activity in the market for property index futures.

The Securities and Investments Board, the UK's chief investment watchdog, has no direct controls over exchanges, other than the sweeping power of removing their authorisation. Following the Fox scandal, the SIB said it was now reconsidering its relationship with exchanges. The most likely result is a voluntary set of guidelines covering how exchanges operate, although SIB has no direct power to enforce this.

Meanwhile, there were calls for tougher regulatory action over the affair. On Tuesday, six individuals were criticised, and their firms fined. Mr Christopher Sharples, chairman of the Securities and Futures Authority, the regulator for the industry, said: "I don't think it is a cozy deal. We think these fines are entirely appropriate."

However, Ms Marjorie Mowlam, Labour spokeswoman on City affairs, called on the government to consider prosecuting some of those involved, and disqualifying them as directors.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Wed Dec 18 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Dec 17 Index No.	Mon Dec 16 Index No.	Fri Dec 13 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (180)	727.39	-0.7	9.31	6.62	13.74	34.30	732.77	743.60	749.60	727.33
2	Building Materials (23)	847.26	-2.0	8.23	7.35	16.42	46.51	864.28	890.32	900.53	980.79
3	Contracting, Construction (29)	846.20	-3.3	8.85	8.76	16.56	51.42	875.10	905.17	918.23	1137.82
4	Electricals (10)	2317.98	-1.2	10.40	6.39	12.24	98.23	2345.31	2370.18	2380.04	1943.48
5	Electronics (26)	1687.96	+0.7	10.89	5.09	11.64	53.94	1676.06	1678.23	1687.23	1559.01
6	Engineering-Aerospace (8)	323.56	-0.1	16.70	8.03	7.29	18.52	323.93	326.38	331.38	402.03
7	Engineering-General (43)	456.32	-0.4	10.52	5.50	11.73	18.20	458.04	457.60	457.14	368.33
8	Metals and Metal Forming (9)	293.12	-1.4	2.23	12.01	-	25.83	297.19	304.89	308.53	404.27
9	Motors (12)	287.67	-0.9	9.00	8.37	14.75	17.56	290.37	292.50	292.91	299.88
10	Other Industrial Materials (20)	1462.66	-0.2	8.19	5.60	14.54	59.05	1466.21	1489.83	1503.51	1268.02
21	CONSUMER GROUP (189)	1536.01	-1.0	7.65	3.59	16.10	40.73	1551.40	1549.75	1553.23	1238.51
22	Brewers and Distillers (23)	1912.32	+0.1	8.86	3.71	13.65	49.14	1910.11	1908.62	1912.81	1615.59
25	Food Manufacturing (19)	1203.16	-0.3	9.82	4.22	12.52	37.32	1207.24	1214.49	1215.42	1040.99
26	Food Retailing (17)	2303.81	-2.6	10.06	3.60	12.91	65.37	2364.96	2379.05	2381.59	2316.83
27	Health and Household (24)	4119.73	-1.6	5.00	2.34	22.99	72.62	4187.08	4141.37	4157.43	2575.71
29	Hotels and Leisure (24)	1186.73	-0.6	8.59	5.71	14.40	45.61	1194.45	1206.14	1214.24	1221.87
30	Media (23)	1340.94	+0.5	7.05	4.01	17.84	48.36	1334.60	1328.31	1325.23	0.00
31	Packaging, Paper & Printing (17)	712.98	-1.5	7.57	4.66	16.01	24.43	723.57	728.16	726.98	524.88
34	Stores (32)	974.10	-1.5	7.76	3.82	16.97	26.77	988.86	991.66	993.59	786.84
35	Textiles (10)	584.60	-0.6	7.93	5.31	16.10	22.28	588.40	588.12	591.36	408.19
40	OTHER GROUPS (112)	1164.75	-0.6	10.38	5.75	12.17	40.33	1171.67	1178.70	1184.52	1024.20
41	Business Services (13)	1329.05	-0.1	7.59	5.01	16.72	46.93	1330.43	1346.19	1387.98	0.00
42	Chemicals (21)	1370.59	+0.1	7.38	5.36	16.75	54.35	1368.61	1367.06	1368.78	1075.72
43	Conglomerates (11)	1280.25	-0.7	11.38	8.39	10.79	44.87	1289.03	1286.39	1278.64	1307.64
44	Transport (14)	2263.43	-0.3	5.67	4.99	23.23	79.12	2271.22	2275.50	2273.57	1922.51
45	Electricity (16)	1192.50	-1.3	15.21	6.08	8.56	27.53	1208.14	1215.77	1226.97	0.00
46	Telephone Networks (4)	1367.60	-0.3	11.47	4.58	11.38	30.42	1371.10	1382.50	1389.95	1180.75
47	Water (10)	2221.16	-0.9	19.22	7.16	5.73	151.44	2240.85	2276.69	2297.91	2170.74
48	Miscellaneous (23)	1682.66	-1.6	5.95	5.90	23.13	75.10	1709.37	1731.20	1741.75	1601.16
49	INDUSTRIAL GROUP (481)	1214.02	-0.8	8.80	4.79	14.21	39.66	1224.08	1228.86	1233.91	1048.15
51	Oil & Gas (19)	2204.73	-0.3	11.72	6.36	11.28	104.27	2211.34	2204.09	2208.28	2322.14
59	500 SHARE INDEX (500)	1300.34	-0.8	9.14	4.98	13.80	44.82	1310.30	1314.29	1319.35	1153.01
61	FINANCIAL GROUP (90)	701.17	-0.4	-	6.66	-	34.41	703.82	710.65	714.86	720.61
62	Banks (9)	829.81	......	4.76	6.40	41.60	38.97	830.03	839.85	843.87	759.18
65	Insurance (Life) (6)	1382.21	-1.2	-	6.18	-	63.68	1398.95	1401.12	1418.00	1299.89
66	Insurance (Composite) (7)	483.87	-1.2	-	9.01	-	32.94	489.75	495.75	504.96	630.29
67	Insurance (Brokers) (10)	981.33	+0.4	8.33	6.82	15.81	49.46	976.98	987.56	989.65	1008.01
68	Merchant Banks (7)	450.77	-0.7	-	4.75	-	16.06	453.99	453.76	453.57	355.79
69	Property (35)	803.71	-0.2	6.14	5.86	23.98	33.34	805.39	816.67	814.60	984.43
70	Other Financial (16)	230.87	+0.1	11.64	7.57	10.81	13.03	230.70	230.25	229.80	255.25
71	Investment Trusts (69)	1134.52	-0.4	-	3.82	-	31.82	1139.59	1145.60	1149.05	1015.18
99	ALL-SHARE INDEX (659)	1157.33	-0.7	-	5.15	-	41.78	1165.56	1170.11	1174.88	1046.13

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 17	Dec 16	Dec 13	Dec 12	Dec 11	Year ago
FT-SE 100 SHARE INDEX‡	2413.6	-19.3	2428.6	2409.4	2432.9	2440.8	2451.6	2423.3	2380.2	2178.7

FIXED INTEREST

	PRICE INDICES	Wed Dec 18	Day's change %	Tue Dec 17	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (27)	122.06	+0.03	122.02	2.02	11.70
2	5-15 years (27)	135.42	+0.03	135.38	1.95	13.36
3	Over 15 years (8)	144.39	+0.03	144.35	1.46	13.28
4	Irredeemables (6)	160.05	+0.03	160.01	1.71	13.68
5	All stocks (69)	133.55	+0.03	133.51	1.96	12.94
	Index-Linked					
6	Up to 5 years (2)	167.15	-0.03	167.21	0.79	3.16
7	Over 5 years (9)	147.69	-0.12	147.87	0.95	4.26
8	All stocks (11)	149.26	-0.11	149.41	0.92	4.18
9	Debs & Loans (62)	114.96	+0.24	114.68	1.86	10.75

	AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 18	Tue Dec 17	Year ago (approx.)
	British Government				
1	Low	5 years	8.72	8.72	9.82
2	Coupons	15 years	9.35	9.34	10.13
3	(0%-7¾%)	20 years	9.35	9.35	10.15
4	Medium	5 years	9.69	9.69	10.97
5	Coupons	15 years	9.46	9.46	10.46
6	(8%-10¾%)	20 years	9.42	9.42	10.34
7	High	5 years	9.92	9.92	11.08
8	Coupons	15 years	9.52	9.52	10.64
9	(11%-)	20 years	9.45	9.45	10.51
10	Irredeemables	†	9.54	9.54	10.33
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.99	3.98	4.02
12	Inflation rate 5%	Over 5 yrs.	4.36	4.35	4.15
13	Inflation rate 10%	Up to 5 yrs.	3.31	3.29	2.64
14	Inflation rate 10%	Over 5 yrs.	4.17	4.16	3.96
15	Debs &	5 years	11.15	11.18	12.53
16	Loans	15 years	10.97	11.00	12.33
17		25 years	10.80	10.83	12.13

‡Opening index 2425.7; 9 am 2424.6; 10 am 2427.6; 11 am 2419.7; Noon 2419.7; 1 pm 2416.6; 2 pm 2415.7; 2.30 pm 2415.8; 3 pm 2412.0; 4.10 pm 2413.9(a) 10.18am (b) 3.21pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	35	17	30
Other Fixed Interest	6	1	12
Commercial, Industrial	143	347	1,003
Financial & Property	52	156	570
Oil & Gas	8	20	64
Plantations	2	1	7
Mines	5	57	90
Others	15	41	91
Totals	266	640	1,867

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	102¼p	100p	Barings 9¼pc Non-Cum. Prf. £1	102¼p	+½
10p	F.P.	-	10p	8p	Butte Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	107½	98½	Eastbourne Inds. 10¼pc Rd. Deb. 2001	107½	+2
100p	F.P.	-	103p	100p	Fidelity Euro. Values Equity Ln 2001	100p	
105	F.P.	-	105	98	Greencore 9.5% Cnv Uns Ln Stk 1995	100	
310p	Nil	-	91pm	60pm	Inchcape Non-Int. Bearing Cv Un Ln	60pm	-4
100p	F.P.	-	104p	100¼p	NatWest Bank 9pc Prf Series A	101½p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
230	Nil	20/12	26pm	14pm	Morrison (W) Supermkts	16½pm	-3½
12½	Nil	-	3½pm	2½pm	Oceonics	3½pm	
84	Nil	23/12	4pm	½pm	Pict Petroleum 5p	½pm	
5	Nil	20/12	1½pm	½pm	Wolton Square 1p	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ф Unlisted securities market. ◊ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Issue price to private investors. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

● First Dealings Dec. 16
● Last Dealings Jan. 3
● Last Declarations March 19
● For settlement March 30

3-month call rate indications are shown on this page.

Calls in Aegis, ASDA, Aviva Petm., Conroy Petm., Dowty, Kunick, Lep, Lonrho, Oliver Res., Proteus, Thames TV and Trafalgar House. Puts in ADT, Brown & Jackson and P & O Defd. Puts and calls in Albert Fisher, Conroy Petm., Greycoat, In Shops, Ratners and Wimpey (G).

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p								
Allied-Lyons	50	Comm Union	40	Legal & Gen	33	SmKl Bchm A	60	■ OILS	
Amstrad	4	Courtaulds	38	Lex Service	18	TI	39	Aviva Pet	2
Astec (BSR)	5	Eurotunnel	35	Lloyds Bank	30	TSB	11	BP	26
BAT Inds	53	FKI	5	Lonrho	19	Tesco	21	Burmah Castrol	44
BOC	48	FNFC	8	Lucas Inds	12	Thorn EMI	66	Conroy Pet	7
BTR	33	Forte	21	Marks Spencer	23	T & N	14	Gaelic Res	1
Barclays	34	GKN	26	Midland Bank	18	Unilever	60	Premier Cons	4
Blue Circle	20	Gen Accident	40	NatWest Bank	26	Vickers	15	Shell	40
Boots	33	GEC	16	P & O Dfd	41	Wellcome	70	Tuskar Res	1
Bowater	55	Glaxo	75	Racal Elect	8	■ PROPERTY		Ultramar	20
Brit Aerospace	30	Grand Met	67	RHM	21	Brit Land	24	■ MINES	
British Steel	10	GRE	11	Rank Org	52	Land Sec.	41	Mountleigh	[illegible]
Brit Telecom	27	Hanson	16	Ratners	9	MEPC	38	RTZ	44
Cadburys	35	ICI	[illegible]	Reed Intl	[illegible]	Sainsbury (J)	[illegible]		

Gestetner tumbles 57% to £22.5m

By Jane Fuller

GESTETNER Holdings, the distributor of office and photographic equipment, reported a 57 per cent fall in pre-tax profit from £52.1m to £22.5m for the year to October 31.

The company had issued a profit warning at the end of October, a month after Ricoh, the Japanese office equipment manufacturer, paid 250p per share for a 24.2 per cent stake.

That was at a significant premium to the market price, which fell again yesterday to close at 118p, near this year's low point.

Turnover rose to £898.3m (£861.8m), including a full year from the Nashua office systems operation which made no contribution to profit because of integration costs.

In the office systems division, trading profit fell from £61.2m to £34.8m. Mr Brian Copsey, finance director, said £20m of the shortfall was caused by second half sales coming in £41m below budget. Management mistakes, notably a late reaction to faltering sales, had contributed to the decline.

Across the group, there were about £11m of rationalisation costs. Net exceptional charges after property and other gains were £7.9m.

Mr Basil Sellers, chairman and chief executive, said more than 1,000 jobs had been shed, 10 per cent of the workforce. It had cost £1.5m to make 45 people redundant in Belgium alone. "Any cuts in these socialist-type countries cost big money," he said.

Sixty per cent of sales were in Europe and the company had been caught out by the continental slowdown. Worst affected were Belgium, Sweden and Denmark and even Germany had flattened out.

Mr Sellers, who also heads the European office systems operation after a management shake-up, said the most important event of the year was the tie-up with Ricoh, the Japanese manufacturer. Ricoh would be fighting a war with Canon and Xerox over a new range of digital products, combining copying, faxing, printing and other functions.

The photographic division was affected by recession in Australia, North America and the UK. Trading profit was £1m down at £8.2m on sales of £180m (£200m).

Net bank debt was reduced to £26.5m (£39.4m). Nearly 70 per cent of the £115m convertible loan stock was converted late in the year. Year-end gearing counting the outstanding loan stock as debt was 26 per cent, down from 96 per cent.

Fully diluted earnings per share fell to 11.7p (26.7p). A maintained final dividend of 6.4p makes a total of 8.2p (8.1p).

● COMMENT

Gestetner made virtually nothing at the pre-tax level in the second half and says it did not realise how bad things were until September. On this basis its assumption that there will be no upturn in the current year is not very reassuring. It says that £11m of one-off costs and a few million off interest payments provide a cushion. Nevertheless it will do well to match last year's pre-tax profit, especially if recessions deepen in European countries. A 10 per cent reduction in earnings gives a prospective p/e of just over 11. Although there is recovery potential, it not as great as in consumer-led sectors. While the shares are worth holding, investors will need some of the patience of Ricoh, which has in mind a long-term thrust into Europe.

EDP doubles profits to £4m on small sales gain

By Alan Cane

ELECTRONIC Data Processing almost doubled its profits before tax last year demonstrating that it is still possible to shine in a generally gloomy computing services sector.

Pre-tax profits for the year to September 30 were £4.08m, compared with £2.1m, but sales showed a gain of only 4.8 per cent from £16.6m to £17.4m.

Earnings per share increased from 17.38p to 32.83p. The final dividend is 2.5p, making 4.25p, a 41 per cent increase on last year.

EDP is a computing services company which is the exclusive UK and European distributor of Mentor computer systems manufactured by Applied Digital data Systems, a wholly owned subsidiary of the NCR Corporation, now owned by AT&T.

The company's software strategy was finely focused on the distribution vertical market sector.

Mr Jowitt expects a 20 to 30 per cent increase in profitability next year; the company has cash balances in excess of £8m and is looking for acquisitions to expand its customer base.

Daily Mail Trust ahead 7% despite advertising recession

By Raymond Snoddy

IN SPITE of the severe advertising recession, The Daily Mail and General Trust, the newspaper publishing group, yesterday announced pre-tax profits ahead by more than 7 per cent.

In the year to end-September the publishers of the Daily Mail, Mail on Sunday and London's Evening Standard increased pre-tax profits from £44.2m to £47.7m on turnover of £644.1m - virtually unchanged from last year's £643.5m.

The company said yesterday that "trading has continued to be very difficult for all divisions of the group and the directors are very pleased to be able to report an increase in trading profits."

Advertising revenues for the Daily Mail and the Mail on Sunday were reported to have held up well although the Evening Standard's classified advertising revenues fell sharply with recruitment advertising remaining depressed.

The Mail on Sunday has been one of the few national newspapers to increase circulation this year.

The main Associated Newspapers subsidiary improved its profitability reflecting higher circulation revenues and a reducing cost base.

Norcliffe Newspapers, the local and regional newspaper chain, was hit by a decline in advertising although Euromoney reported a 23 per cent increase in trading profits despite the effects of the Gulf war on its conference and seminar business.

Newspapers accounted for £525.3m of turnover and £59.9m of trading profit compared with £522.4m and £60.7m respectively last time.

The company is planning to pay a final dividend of 90p making a total for the year of 119p (110p). Earnings per share rose from 331.3p to 338.5p.

Ensign more than doubles on offer

By Philip Coggan, Personal Finance Editor

SHARES IN Ensign Trust, the investment trust which has been languishing at a 50 per cent discount to net assets, more than doubled yesterday after the Merchant Navy Officers Pension Fund offered to purchase the minority shareholding.

The cash offer is based on the formula asset value (FAV) of the fund, currently estimated at approximately 41p per share. Ensign ordinary shares rose from 18p to 38p.

The problems of the trust have revolved around its large unquoted portfolio. In May, the trust announced a £69m write-down in the value of its assets. Management of the trust's assets was transferred from Argosy Asset Management, an Ensign subsidiary, to Ivory & Sime.

Although net asset value is about 38½p per share, MNOPF has agreed that the FAV should reflect the potential understatement of values for some unlisted investments.

MNOPF, one of the largest pension funds in the UK, owns 77.9 per cent of the ordinary shares in the trust, and the scheme will only go ahead if it is approved by a 75 per cent majority of the minority shareholders.

The offer values the whole trust at £123m, and the minority shares at £27m.

Classic seeks to resolve problems

By Peggy Hollinger

THE RACE is on to find a solution for Classic Thoroughbreds, the Irish bloodstock company which has reported losses in each of its four years of existence.

The board is investigating options including a merger or takeover bid.One strong possibility is that Classic would merge with a company which would allow it to retain an interest in bloodstock.

Analysts in Dublin said the strongest candidate was Leisure Holdings, the private hotels and tennis club company which began life as a bloodstock investor. A takeover of Classic would provide a quote – albeit on the USM – for Leisure, which had been in the running for parts of Keith Prowse, the ticketing agency, before it collapsed in September.

Leisure and Classic also share a director in Mr John Magnier, a managing partner of Coolmore, Ireland's biggest stud.

Mr Owen McGartoll, chief executive of Leisure, refused to comment yesterday.

Classic announced in August that it planned to sell its racing interests – 19 horses at the time – to become a cash company. Classic, which announces its interim results today, is believed to have more than I£3m (£2.8m) cash in the bank. It still retains some bloodstock interests.

The company was formed in 1987 by trainer Mr Vincent O'Brien and a group of wealthy backers, including packaging magnate Mr Michael Smurfit, to run horses in the big money races and sell them on to stud.

S Korean group acquires EC base

By John Thornhill

KOLON Industries yesterday claimed to be the first South Korean group to acquire a company based in the European Community.

The synthetic fibres, plastics and film materials company has paid £7m to acquire the Imperial Graphics Group of companies from Emess, the UK electrical accessories company.

The move follows the South Korean government's relaxation of regulations concerning overseas investment.

"It is now easier to invest abroad and I think that many Korean companies will want to go overseas and seek acquisition opportunities," Kolon said yesterday.

The Imperial Group of companies, which has operations in Manchester, East Grinstead and Germany, manufactures acetates and papers for the reprographics market.

AmBrit receives *new bid approach*

AmBrit International, the USM-quoted oil company which is facing a hostile bid from Pittencrieff, said yesterday that it had received an approach from a third party seeking to agree terms for a recommended offer.

It urged shareholders to take no action in respect of any Pittencrieff document and not to sell their shares in the market.

Pittencrieff has increased its offer from 5.5p to 6p per share, valuing AmBrit at about £3.94m. There is a share alternative of one new Pittencrieff for every 28 AmBrit AmBrit said the offer, described as final, remained "absurdly low".

Pittencrieff already owns 29.93 per cent of AmBrit.

Small rise at Faupel Trading to £611,000

Taxable profits at Faupel Trading Group, the USM-quoted importer of Chinese textile goods for sale to wholesalers, stores and mail-order companies, edged up £2,000 to £611,000 in the six months to September 30.

This modest rise was achieved on turnover up at £11.7m (£8.89m). Earnings emerged at 5.19p (5.03p) per share and the interim dividend is held at 1.85p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abtrust Pref ....int	5.8125	Dec 31	-	-	-
Andrews Sykes ....int	1.4	Feb 24	1.4	-	4.4
Bristol Water ....int	6.8	Feb 13	-	-	-
Chemring ....fin	19.75	Jan 31	17.95	29.65†	26.95
Control Secs ....int	nil	-	0.55	-	0.7
CRH ....int	4.3♣☆	Jan 16	4	6.45	6
Daily Mail Trust........fin	90	Feb 21	83	119	110
Electronic Data ....fin	2.5	Apr 3	2.225	4.25	3
Gestetner ....fin	6.4	Mar 3	6.4	8.2	8.1
Greencore ....fin	4.5♣	Feb	-	4.5	-
Hoskyns ....fin	1.65†	Mar 19	1.65	2.4	2.4
NFC ....fin	2.25	Apr 7	1.6	6.25	5.65
N'humbrian Fine§........int	0.75†	Feb 21	0.75	-	1.75
Polar § ....fin	2.5	Feb 15	2.5	4.5	4.5
South Wales Elec........int	5.8	Mar 24	-	-	11.8
Sterling Inds ....int	1.5	Feb 14	1.5	-	5.6
Utd Scientific ....fin	1.7	Apr 3	1.5	2.2	2
Yorkshire Elec ....int	5.23	Mar 24	-	-	10.81

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish pence. ☆In lieu of final.

PUBLIC WORKS LOAN BOARD RATES
Effective December 18

Years	Quota loans* EIP†	ANN††	maturity§
1			10⅜
Over 1 up to 2	10⅜	10⅜	10⅜
Over 2 up to 3	10⅜	10⅜	10¼
Over 3 up to 4	10¼	10¼	10¼
Over 4 up to 5	10¼	10¼	10¼
Over 5 up to 6	10¼	10¼	10⅜
Over 6 up to 7	10¼	10¼	10⅜
Over 7 up to 8	10¼	10¼	10½
Over 8 up to 9	10¼	10⅜	10½
Over 9 up to 10	10⅜	10½	10½
Over 10 up to 15	10½	10⅝	10⅝
Over 15 up to 25	10⅝	10⅝	10½
Over 25	10½	10½	10½

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Shares fall as Takeover Panel rules out possible bid by Welsh Water until 1993

South Wales Electricity advances to £20.7m

By David Lascelles, Resources Editor

SOUTH WALES Electricity, the Cardiff-based regional electricity company, showed a 64 per cent rise in profits before tax for the half year to September 30, and is proposing a 13.7 per cent rise in the dividend.

But the company's shares ended the day slightly lower on indications that the Takeover Panel had ruled out a possible bid by Welsh Water until April 1993.

Pre-tax profits amounted to £20.7m, up from a pro forma £12.6m at the half way stage last year. The dividend is 5.8p payable from earnings per share of 13.6p (9.3p).

At the operating level, the sharpest increase came in profits from distribution, up from £22.4m to £33.2m. The company also reduced its losses on supply, from £8.6m to £7.7m.

However, there was a deterioration in results from diversified activities, mainly retailing. These recorded a loss of £2.2m, up from a loss of £0.9m.

Mr Wynford Evans, chairman, said South Wales was in negotiation with another company over the group's retailing outlets, but he declined to give any details.

The company also made progress in reducing costs. These were down by 4.5 per cent from £62.3m to £59.5m, and it expects to meet its full year target of a 5 per cent cut. Manpower fell by 3.3 per cent in the year to September 30, and a fall of up to 5 per cent is forecast for the 1992 year.

The result included a £3.8m provision for restructuring.

Mr Evans said South Wales Electricity had ascertained from the Takeover Panel that a statement from Mr John Elfed Jones, chairman of Welsh Water, ruled out a bid before Mr Jones retires on March 31 1993. Welsh Water holds a hostile 15 per cent of South Wales.

● COMMENT

South Wales is among the more highly regarded RECs, and the result confirmed the view that it is making solid progress in reducing costs and dealing with underperforming segments of the business. So it was unfortunate that the result coincided with the depressing impact of the Panel determination – though that could presumably change if the Golden Share restrictions were removed early. The rise in profits and dividend were in line with expectations. The company also implied that it foresees long-term cost reductions to underpin continuing improvements in profitability. Analysts are looking to £71m-£75m for the full year, with the total dividend at about the 19p mark. The prospective p/e is about 7 times, with a yield of about 7 per cent.

Yorkshire Electricity up 17% to top £33m in first half

By Juliet Sychrava

YORKSHIRE Electricity yesterday reported pre-tax profits of £33.1m for the half year to September 30, up 17 per cent from £28.3m pro forma for the corresponding period a year ago.

This gave earnings per share of 11.5p, up 13 per cent, and the dividend was also up 13 per cent at 5.23p. "Long-term real increases in dividends of the 5-8 per cent range people have been talking about certainly don't frighten Yorkshire," said Mr Tony Coleman, finance director. The company expected to be in the "upper quartile" of regional electricity companies and would pay consistent dividends accordingly.

Recession pushed sales to industrial customers down by 2 per cent but domestic and commercial sales were up. Full year unit sales growth will only be a maximum half per cent lower than the 1.5 per cent for the half year, the company said.

The supply business, as expected, made a half year loss, but should recover in the second half unless very cold weather pushes up the "uplift" charge customers pay when they buy electricity from the pool.

Purchasing and wage bills were down. The company has lost 100 staff over the last 12 months, and expects to cut controllable costs, mainly manpower, by roughly 2 per cent a year over a five year period.

However, because the company made a £10m provision against bad debts in the loss-making retail business, operating profit fell by £500,000.

Interest charges fell from £10.8m to £5.9m as the company repaid government debt and controlled capital expenditure, which was £3 to £4m less than expected at £27m, and will be 5-10 per cent down for the full year. Gearing fell to 14.5 per cent.

● COMMENT

Yorkshire's confident but canny management has made it top of the list of 12 regional electricity companies ever since flotation, and these results provide no reason to change that. Being good at the high-risk supply business, as Yorkshire visibly is, looks more important now that the potential combination of an unexpectedly large uplift charge, and a regulatory price clampdown could mean companies that purchase expensively may find it hard to pass on their supply costs to customers. If wise purchasing means Yorkshire can manage this risk, then that adds a short-term benefit to the potential long-term bonuses from being good at supply. Yorkshire's diversification ambitions, meanwhile, are too sensible to frighten the City: one good generation project, and a target of generating 15 per cent of profit before tax from non-core businesses, which will be mainly its existing retail and contracting operations by about 1997. Analysts' forecasts for the full year's profit before tax were clustered at about £145m, putting the company on a mid-range prospective p/e of 7.4 and a yield of 6.2 per cent.

Greencore shows advance of 15% to I£25.3m

By Tim Coone in Dublin

GREENCORE, the Irish sugar and foods company, announced a pre-tax profit of I£25.3m (£23.5m) for the year to September 27.

This marks a 15 per cent increase on the previous year's I£22m, achieved on turnover ahead 30 per cent to I£326m. Earnings per share were 27.61p and a maiden dividend of 4.5p is proposed.

The company, formerly Irish Sugar, was privatised in April this year, and these were its first full-year results as a public company.

In a brief statement accompanying the announcement, Mr Bernie Cahill, chairman, said: "By any measure these are very good results and we now look forward to 1992 with confidence".

Analysts have been critical of the lack of detail given in the results, and why no explanation was given for an increase in tax from I£1.94m to I£4.06m despite the relatively modest increase in profits.

The company has been embroiled in a scandal since September, when Mr Chris Comerford, then chief executive, resigned over a controversial share deal involving a Greencore subsidiary, in which he was one of the beneficiaries.

It is estimated that the company has spent some I£800,000 on investigations into the affair, and I£2.15m was included as an exceptional item "for the cost of recent management changes".

A High Court-appointed inspector was due to release a report of his own investigation into the affair yesterday but last week was granted an extension until February, against the wishes of Mr Des O'Malley, the trade and industry minister, who has become concerned over the mounting costs of the investigation.

The company said that full details of the year's results would be given in February with the presentation of the annual report.

Mr Gerry Murphy, the new chief executive, apparently did not wish to make a public presentation of the results at this stage, over concern that the ongoing controversy would detract from what are otherwise regarded as good results.

Northumbrian Foods in black at halfway

Sharply reduced interest charges helped Northumbrian Fine Foods, the USM-quoted manufacturer of biscuits and snacks, move into the black at the interim stage, writes Graham Deller.

Pre-tax profits of £252,800 for the six months to September 30 compared with losses of £364,600 last time, and were struck after interest payable of £100,800 (£304,900).

Mr Richard Adams, chairman, emphasised, however, that market conditions remained difficult.

He pointed out that the recovery was achieved without any contribution from John J Lees, the Lanark-based confectionery and chocolate maker acquired towards the period end.

Overall turnover improved by 40 per cent to £4.89m (£3.49m).

Mr Adams said that organic growth and acquisitions should boost turnover threefold to about £25m for the current year.

The interim dividend is held at 0.75p, uncovered by earnings of 0.7p per share (losses of 2.7p).

M&G rebuts UTA attack on life assurance industry

M&G, one of the UK's largest unit trust managers, has disassociated itself from criticism aimed at the life assurance industry by the Unit Trust Association, a trade group of which it is a member, writes Norman Cohen.

However, M&G stopped short of resigning from the UTA, a move taken so far by Prudential and Legal and General, two other life insurers which sell unit trusts. M&G also has a life assurance division, where profits sharply rose in the year to September 30 1991.

The UTA, a third of whose members are life insurers, launched a fierce attack on the sales practices of the life assurance industry in a paper submitted to the Securities and Investments Board, the industry regulator. Among other things, the UTA said that many sales agents failed to tell prospective clients who they were actually working for and urged customers to purchase unsuitable policies because those rewarded the agents with larger commissions.

In a letter to Mr David Walker, SIB chairman, Mr Paddy Linaker, M&G chairman, said: "M&G feels that the comments made on the structure of insurance products and the sales practices of salesmen, tied agents and IFAs are ill-informed, over-generalised and exaggerated."

The SIB has been seeking comment from the financial services industry on plans to allow broader sales distribution for unit trusts than for life assurance products. It had said it was considering "de-polarising" unit trusts. That means those who sell them would no longer be required to be either a "tied" agent, selling the products of a single company, or an "independent", selling products of a broad range of suppliers. The UTA supports proposals to de-polarise unit trusts.

Mr Linaker said that M&G also disagreed with the UTA's views on de-polarisation.

Control Securities drops to £4.4m

CONTROL SECURITIES, the property and leisure group headed by Mr Nazmu Virani, reported pre-tax profits down from £14.5m to £4.38m in the six months to end-September.

Turnover of the group, which is the subject of a Serious Fraud Office investigation as part of its inquiry into the BCCI affair and whose shares have been suspended since October 17, declined from £93.1m to £50.7m. At the operating level profits fell from £24.5m to £17.2m.

The company said the lower turnover and operating profit had arisen principally because of a reduced level of property sales due to adverse conditions in the market.

The group had the continuing support of its bankers, it said, and had adequate funding for its foreseeable future needs.

Earnings per share were 0.56p (3.2p), and directors said that prudence dictated a deferral until the year-end of any decision regarding payment of a dividend.

They said a relisting of the company's shares was being sought and hoped to report positively on this soon.

NEWS DIGEST

Chemring rises 19% to £4.72m

CHEMRING GROUP, the industrial holding company with interests in defence, marine, leisure, environmental and engineering markets, lifted pre-tax profits by 19 per cent from £3.97m to £4.72m in the year to September 30.

Mr Ian Fairfield, who resigns as chairman on December 31, said the results reflected "the sustained effort made by the operating companies during a year when the recession has been widely felt". During the Gulf war, 24-hour working had been essential, he added.

Group sales rose 23 per cent to £34.5m (£28.2m) and Mr Fairfield said that progress had been made on the company's stated policy to change the balance of sales over the next two to four years to 60 per cent non-defence and 40 per cent defence. In 1990 the mix was 60 per cent defence and 40 per cent non-defence; this time the ratio had shifted to 55:45.

During the year Chemring bought Octavius Hunt, a maker of smoke pesticides, and the business of Horace Sleep, a maker of thermally insulated clothing.

Fully diluted earnings emerged 41 per cent up at 68.6p (48.6p). The final dividend is lifted to a proposed 19.75p (17.95p) for a total of 29.65p (26.95p).

Westport incurs £373,000 deficit

Westport Group, the exhibition, photographic services and market specialist, incurred pre-tax losses of £373,000 in the 26 weeks to October 27.

The decline – from profits of £14,000 – was struck on turnover down 36 per cent at £7.31m (£11.4m). However, the company said that gross margins had improved from 31.5 to 33.7 per cent and that operating expenses had been cut by £500,000.

After a tax credit of £228,000 (charge £5,000), losses per share were 0.12p (earnings 0.01p).

Last time the profits were sharply reduced by exceptional charges of £398,000.

Bristol Water makes maiden £2.57m

Maiden results from Bristol Water Holdings showed a pre-tax profit of £2.57m for the six months to September 30.

Corresponding figures were given for the full year to March 31 1991 which showed a pre-tax profit of £2.97m. Fully diluted earnings per share emerged at 33.8p against 38p.

An interim dividend of 6.8p is declared following the implementation of the new group structure on December 12.

Teredo Petroleum trebles to £407,000

Pre-tax profits of Teredo Petroleum, the USM-quoted oil and gas producer, more than trebled from £120,000 to £407,000 in the year to end-September. Turnover expanded by £3.53m to £5.32m.

Amortisation, which included a substantial element in respect of past expenditure on unsuccessful projects, took £3.02m (£1.07m) and the cost of sales rose to £1.51m (£438,000). Other operating expenses were reduced to £260,000 (£311,000).

Earnings per share increased to 1.3p (0.4p).

At the forthcoming annual meeting the company intends to propose a sub-division of the existing 50p ordinary shares into one new ordinary and one 45p deferred.

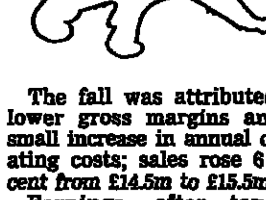
Emap buys Virgin stake in Kiss FM

Emap, the Peterborough-based media group, has purchased Virgin's holding in Kiss 100 FM, the FM radio station launched in September 1990.

The deal gives Emap 59 per cent of Kiss and is subject to any necessary regulatory consents.

Lower margins leave Polar down 30%

Polar, the USM-quoted electronic components manufacturer, reported a 30 per cent decline, from £1.32m to £917,000, in pre-tax profits for the year to end-September.



The fall was attributed to lower gross margins and a small increase in annual operating costs; sales rose 6 per cent from £14.5m to £15.5m.

Earnings, after tax of £330,000 (£494,000), were down to 7.4p (10.4p). A same-again total dividend of 4.5p is recommended with a final of 2.5p.

Gloomy outlook as Sterling dips 20%

"Difficult and unpredictable" trading conditions led to a 20 per cent contraction in pre-tax profits at Sterling Industries in the six months to end-September.

Mr Peter Buckley, chairman of this hydraulic and combustion engineer, said the fall – from £1.99m to £1.59m – reflected a considerable fall in operating profits partly offset by an improvement in dividend income from the group's 8.8 per cent stake in Caledonia Investments.

Despite lower sales in the hydraulics division, overall turnover edged ahead to £16.8m (£16.7m). Earnings per 2½p share declined to 3.75p (4.52p) but the interim dividend is maintained at 1.5p.

Eidos slips further into the red

Eidos, the electronic data processing equipment group, plunged further into the red in the half-year to June 30 with a pre-tax loss of £169,000 against a deficit of £61,000 for the period to end-December 1990. But no sales revenue was generated in the first six months.

However, Mr Michael Briggs, chairman, said that the company had received its first orders for Eidos Systems. Further sales were being negotiated and were expected to be finalised shortly.

Losses in the first half were 7.68p (2.76p) per share.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume and retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

	Indl. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unemployed	Vacs.
1990							
1st qtr.	108.6	119.2	34.3	120.9	132.7	1,612	197.9
2nd qtr.	111.5	120.4	36.0	121.3	140.5	1,612	191.8
3rd qtr.	109.7	118.8	35.2	120.3	141.6	1,658	165.9
4th qtr.	108.8	115.8	32.9	119.1	170.5	1,779	139.1
September	109.2	117.6	35.2	120.2	140.6	1,679	150.4
October	105.1	116.1	34.6	119.0	142.4	1,706	145.5
November	106.5	114.3	34.0	118.4	157.5	1,763	138.2
December	105.9	114.7	32.9	119.7	201.5	1,842	133.5
1991							
1st qtr.	105.5	113.4	31.8	120.1	140.0	1,987	149.5
2nd qtr.	105.3	112.6	31.4	118.1	147.7	2,256	118.9
3rd qtr.	106.2	112.5	30.9	118.9	142.8	2,418	105.7
January	108.2	114.2	33.2	118.6	138.5	1,882	143.6
February	107.6	112.5	32.7	118.5	136.9	1,960	143.6
March	107.2	113.2	31.5	122.5	144.1	2,091	141.5
April	104.4	112.6	32.1	118.6	149.2	2,174	121.8
May	104.1	112.5	31.7	118.2	146.3	2,247	109.2
June	107.4	112.7	31.4	120.0	148.4	2,360	101.5
July	107.4	113.5	31.9	120.2	152.8	2,368	104.8
August	105.5	112.1	31.9	119.3	147.9	2,425	108.8
September	105.8	111.8	29.5	119.6	149.0	2,457	106.5
October	106.6	111.3		118.9	153.5	2,473	103.5

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1990							
1st qtr.	114.6	121.7	103.8	120.1	130.2	98.6	14.3
2nd qtr.	115.2	124.9	105.9	122.6	125.6	97.4	14.1
3rd qtr.	114.1	122.0	101.8	120.2	123.5	94.9	13.0
4th qtr.	112.5	117.8	101.8	115.9	115.5	92.7	11.4
September	112.9	119.2	101.9	118.0	125.9	94.8	12.8
October	113.9	117.5	102.3	117.8	114.0	94.9	13.2
November	111.4	115.4	101.2	114.0	118.9	92.8	11.9
December	111.4	118.1	99.3	116.9	116.8	92.0	9.1
1991							
1st qtr.	110.3	117.2	101.2	113.9	119.2	88.5	12.3
2nd qtr.	109.9	115.5	99.8	112.1	110.0	87.8	14.3
3rd qtr.	109.7	114.8	102.0	110.3	111.2	87.9	14.6
January	110.7	118.4	98.5	115.0	110.0	90.9	12.4
February	109.7	116.7	102.5	114.0	105.0	89.0	10.2
March	110.6	116.4	102.5	113.9	112.6	88.0	14.1
April	110.1	115.9	98.6	113.0	109.6	88.0	14.1
May	109.8	115.3	97.7	112.8	110.8	87.0	14.9
June	109.7	115.2	103.7	112.0	112.8	88.0	13.9
July	110.5	115.5	103.0	113.0	111.0	88.9	15.3
August	109.3	114.8	101.4	109.9	112.6	88.0	13.7
September	109.9	112.2	101.7	109.0	111.0	88.9	13.9
October	109.8	110.7	104.1	108.0	111.0	87.9	14.2

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms of trade*	Reserves US$bn
1990							
1st qtr.	124.1	144.8	-6,673	-5,263	+388	96.2	38.29
2nd qtr.	126.9	145.1	-5,391	-4,974	+421	96.4	39.01
3rd qtr.	122.8	141.2	-4,835	-2,239	+432	100.1	39.08
4th qtr.	124.9	138.0	-3,176	-1,904	+297	100.2	38.46
September	127.6	138.3	- 767	- 168	+288	102.2	39.06
October	125.4	141.5	-1,206	- 782	+ 71	100.8	38.57
November	126.1	139.3	-1,639	- 615	+113	101.3	38.47
December	123.3	133.2	- 331	- 507	+113	98.5	[illegible]
1991							
1st qtr.	123.8	136.5	-2,666	-2,572	+223	98.6	42.33
2nd qtr.	127.7	137.6	-2,104	- 766	+280	98.1	44.26
3rd qtr.	128.4	140.2	-2,345	-1,745	+304	97.9	44.50
January	119.6	139.4	-1,340	-1,213	-123	99.1	38.37
February	124.9	131.8	- 773	- 835	+153	98.2	41.79
March	126.9	138.2	- 875	- 736	+184	98.4	42.33
April	125.1	138.3	- 847	- 401	+ 42	98.3	43.50
May	124.6	136.4	- 904	- 458	+ 87	98.1	43.71
June	133.4	138.1	- 353	+ 93	+131	97.5	44.26
July	128.0	139.0	- 612	- 412	+ 41	97.8	44.63
August	131.9	145.3	- 831	- 691	+ 49	98.0	44.66
September	125.4	136.4	- 902	- 782	+214	97.9	44.59
October	126.4	138.4	- 861	691	+ 88	98.3	44.25
November							43.91

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow* £m	Cnsmer. credit† £m	Base rate %
1990							
1st qtr.	6.3	8.8	18.3	+21,926	1,115	+911	15.00
2nd qtr.	6.9	8.4	17.4	+19,345	2,295	+721	15.00
3rd qtr.	4.9	8.1	15.5	+13,740	1,942	+626	15.00
4th qtr.	3.3	8.1	12.7	+15,675	1,210	+712	14.00
September	4.5	7.5	14.7	+ 4,646	886	+331	15.00
October	4.6	8.1	14.3	+ 5,626	992	+342	14.00
November	3.2	7.9	14.4	+ 6,219	-366	+229	14.00
December	2.8	8.3	12.3	+ 3,330	826	+141	14.00
1991							
1st qtr.	2.8	10.4	10.6	+10,138	2,088	+341	12.50
2nd qtr.	1.7	11.7	9.0	+ 9,257	2,553	+321	11.50
3rd qtr.	2.0	11.5	7.2	+ 6,460	730	+ 54	10.50
January	3.4	10.2	11.2	+ 3,619	894	+ 54	14.00
February	2.6	10.3	10.6	+ 4,385	808	+ 94	13.00
March	2.5	10.8	9.9	+ 1,933	543	+153	12.50
April	1.5	11.0	9.6	+ 4,417	1,257	+335	12.00
May	1.6	12.9	9.3	+ 2,806	774	- 36	11.50
June	1.3	12.1	7.9	+ 2,035	444	+ 22	11.50
July	2.1	11.3	7.8	+ 3,366	285	+187	11.00
August	1.6	12.0	7.2	+ 2,149	198	- 36	11.00
September	2.3	11.1	6.5	+ 943	286	-107	10.50
October	2.6	10.6	6.3	+ 1,801	529	- 78	10.50

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931 =100); trade weighted value of sterling (1985=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling*
1990							
1st qtr.	115.4	106.7	123.1	120.4	116.9	1,836	88.1
2nd qtr.	118.7	103.5	125.7	126.0	119.6	1,804	88.6
3rd qtr.	121.2	102.4	126.8	128.1	118.7	1,803	94.2
4th qtr.	123.5	103.7	128.3	130.1	121.3	1,721	94.1
September	122.6	104.1	127.2	129.3	120.3	1,691	93.8
October	122.7	103.4	127.9	130.5	120.4	1,737	94.8
November	123.5	103.9	128.4	130.0	121.3	1,709	94.2
December	124.2	104.7	128.7	129.9	122.1	1,716	93.3
1991							
1st qtr.	125.9	103.0	130.6	130.5	123.6	1,669	93.8
2nd qtr.	129.1	103.4	133.2	133.6	126.1	1,737	91.4
3rd qtr.	130.7	101.5	134.1	134.2	125.7	1,690	90.7
January	125.2	104.4	130.2	130.2	122.9	1,683	94.1
February	126.2	102.3	130.7	130.9	124.4	1,669	94.3
March	126.5	102.4	131.8	131.4	124.4	1,715	92.5
April	127.5	103.5	132.8	133.1	126.9	1,737	92.3
May	128.4	103.5	133.4	133.5	125.6	1,721	91.7
June	128.8	102.2	133.4	134.1	126.9	1,764	90.8
July	129.1	102.5	133.8	133.8	125.3	1,721	90.3
August	131.9	101.7	134.1	134.1	126.4	1,692	90.7
September	131.5	101.9	134.3	134.6	125.4	1,685	91.0
October		101.8	134.6	135.1	125.6	1,685	90.5
November		102.5	135.0	135.6	126.3	1,631	91.6

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

USH to refocus on civilian business

By Andrew Bolger

UNITED Scientific Holdings plans to move away from *defence contracting* and retitle the group Alvis, a famous name in British engineering.

USH mainly makes armoured vehicles at its existing Alvis division in Coventry, but hopes to increase its output of gearboxes for civil aircraft and railways.

Mr Nick Prest, chief executive, said Alvis "still retained the genes" of how to produce for the civilian market in its culture, and he hoped to increase this output both by organic growth and acquisitions.

USH, which still gets more than 85 per cent of its sales and profits from defence work, narrowly escaped being taken over by Meggitt, the specialist engineer, two years ago.

The *group flagged its new* direction yesterday while announcing a sharp increase in pre-tax profits from £2.16m to £6.03m in the year to September 30. Turnover fell from £143.5m to £114.2m.

Mr Prest said the improvement in profitability resulted from the big turnrounds at Avimo Singapore and Avimo Taunton, its troubled electro-optics plant in Somerset.

An *extraordinary charge of* £4.2m was taken to cover reorganisation costs. United Scientific Instruments is being moved from London to Coventry, where it will absorb the Alvis logistics division. The group's London head office is being moved to cheaper premises *and Alvis will be split into* a vehicles business and an aerospace and transmissions business.

The extraordinary charge *was offset by a gain of £4.48m* on the disposal of the group's US night sight business and 14 per cent of Avimo Singapore.

A reorganisation of the electro-optics business is being studied, as is the disposal of one or two of the smaller companies.

USH had net cash at the year end and an order book of £125m, or £177m including associates.

Mr Prest said: "The continued improvement in profitability and balance sheet strength is creating a sound platform for further development as a specialist engineering company under the Alvis name, while maintaining our niche defence interests in electro-optics *and armoured fighting vehicles.*"

Earnings per share of 3.4p compared with losses last year of 1.8p. A final dividend of 1.7p (1.5p) gives a total for the year of 2.2p (2p).

● COMMENT

How many defence contractors can bale out of their shrinking sector and land safely in profitable pastures new? Mr Prest reckons that USH's small size *and the name and traditions of* Alvis means his group is better placed than most, but admits some scepticism is justified. His achievement in stopping the rot at Avimo and shrinking the group back to a more profitable base is genuinely impressive, and these results pleasantly surprised the City, which marked the shares up 10½p to 40p. Even with that rise, they still stand at a huge discount to the net asset value of about 100p per share. Forecast earnings of £8m would put the shares on a multiple of 8 – not demanding for those willing to gamble on the success of the group's new strategy.

Hoskyns growth ended with 17% fall

By Alan Cane

THE recession has finally put paid to computing services group Hoskyns' 13 year run of unbroken growth. Both revenues and pre tax profits slipped significantly in trading conditions described as "vicious" by group chairman *Mr Geoff Unwin.*

Pre-tax profits in the year to October 21 were down 17 per cent to £14.8m compared with £17.3m in 1990, a performance which Mr Unwin thought was: "very respectable in the light of grim market conditions in the UK". Some 82.5 per cent of the company's revenues come from Britain.

Turnover was 10 per cent down at £200.7m compared with £223.3m in 1990; some £20m of the decline was the result of the planned run down of facilities management contracts with Plessey and the London Residuary Body.

Earnings per share were 19 per cent lower at 10.5p (1990:13p). A final dividend of 1.65p has been proposed making a total for the year of 2.4p, unchanged from the previous year.

Hoskyns, in which Cap Gemini Sogeti of France has a 69.5 per cent stake, works in three principal areas professional services, systems integration and facilities management. All three areas have been hit by the effects of the recession. Mr Unwin said that from the early part of this year until recently there had been virtually no customers willing to initiate new project work. Within the past two months there had been "mild" indications that some customers were releasing funds for capital investment.

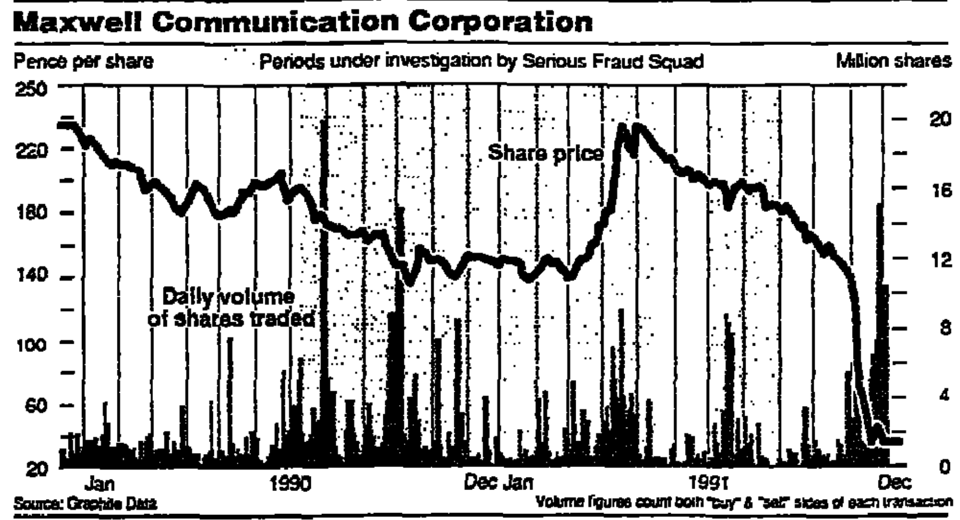
Mr Unwin said that facilities *management* and "outsourcing" using an outside computing services company to take over all orpart of a firm's data processing - had become established.

● COMMENT

Hoskyns' early action to keep *staff numbers and costs under* control is reflected in a meritorious performance in appalling market conditions. Now it is recruiting again. Its skill in *facilities management remains* a strength but the waters have been muddied by a raft of less experienced players whose prices seem to be set either out of ignorance or to gain market share at any price.

Hoskyns' chief advantage is its quality image. Next year's results should be no worse than this year; given an upturn in the economy they could put the company back on the growth path.

Maxwell Communication Corporation



Source: Graphite Data. Volume figures count both "buy" & "sell" sides of each transaction

SFO launch probe into alleged share support scheme for MCC

By Bronwen Maddox and Robert Peston

THE SERIOUS Fraud Office decided yesterday to launch a formal investigation into an alleged scheme by the late Mr Robert Maxwell to support the share price of Maxwell Communication Corporation, one of his public companies which this week filed for administration under UK insolvency laws.

The investigation will be based on papers passed to the SFO last week by accountants Arthur Andersen and by the Department of Trade and Industry. The Andersen papers concern MCC share purchases funded by Maxwell private companies in April and July. The DTI documents relate to MCC share option deals between Mr Maxwell and Goldman Sachs, the US investment bank.

A government official close to the investigation said that the SFO was likely to concentrate *on the April and July* share purchases. Andersen, administrator to the Maxwell private companies, believes that more than £130m of the £700m missing from the accounts and pension funds of MCC and Mirror Group Newspapers, Mr Maxwell's second public company, may have been used to buy MCC shares.

Since Mr Maxwell's death on November 5, it has become clear that more than £300m of the £900m of bank debt in his 400 private companies was secured by his holdings in MCC shares.

The SFO will investigate trading in MCC shares over the past 18 months. The investigation is the fourth by the SFO into the collapsed Maxwell empire.

The SFO has been passed information by the DTI on two periods during which Goldman Sachs held "put options" from Mr Maxwell. During the periods, which ran from August to December 1990 and from January to February 1991, Goldman had an incentive to buy MCC shares, as the contract gave it a guarantee that it could sell shares to Mr Maxwell at the end of the period.

During the first put option, the stock market was becoming worried about MCC's debt repayments due in October 1990 and the share price came under downward pressure.

Mr Peter Lilley, secretary of state for industry, has said that trading in MCC shares was under investigation by the DTI at the time of Mr Maxwell's death.

Because debt in Mr Maxwell's private companies was secured on shares in MCC, more security had to be provided to banks if the value of these shares fell below 145 per cent of the value of the loans. A sharp fall in the MCC share price – like the one triggered by Mr Maxwell's death – would have jeopardised the entire empire's finance.

If conclusive evidence is found of an illicit share support scheme, those banks which have MCC shares – now worthless – as security are likely to take legal action against anyone implicated in such a scheme.

Southern survives bid prospect

By Raymond Snoddy

SOUTHERN Newspapers has survived as an independent company, at least for the foreseeable future, as four potential hostile bidders passed up the opportunity to mount a takeover.

Last month the four newspaper publishing groups – Trinity International Holdings, Emap, Pearson (owner of the Financial Times) and Reed International – sought and received clearance from the Department of Trade and Industry to bid for Southern which includes the Southern Evening Echo among its titles.

The four groups had 21 days, which expired at midnight, to make a bid for the company.

All four made it clear last night that they were not prepared to make a hostile bid because of the recent climb in the share price.

Trinity, which announced in July that it was seeking permission for a transfer of ownership of Southern, formally announced yesterday that it was pulling out.

Trinity said that Southern's shares which had been trading at 155p prior to the announcement of the bid prospect had been recently bought at 294.5p by one of the other interested rivals.

"Trinity is concerned that such actions may have given an unrealistic indication of the company's true worth to the numerous small shareholders on Southern's register," the company said before announcing that it did not intend to proceed at the present time.

Both Reed and Emap, which had bought some 100,000 shares at 294p, also indicated last night they were not going ahead with a bid although they would continue to watch the situation carefully.

Pearson, now expressing an interest in buying control of Mirror Group Newspapers if the price is right, also decided not to bid for Southern.

In October Southern announced a fall in pre-tax *profits from £15.1m to £8.61m* in the year to June 30.

Forte buys the Queen's caterer

By Peggy Hollinger

FORTE, the hotels and catering group, has stepped in to save the Queen's garden party caterers, Town & County, which went into receivership earlier this month leaving a deficit of £5m – the bulk of which was due to alleged fraud by a senior employee.

Forte has paid about £2m cash to receivers Buchler Phillips for Town & County's businesses which include outdoor catering, services at leisure venues and management of company restaurants. The hotel group will not take on any of T&C's debt, believed to be about £10m.

Receivers said last night that the full extent of the alleged fraud was still under investigation. The company's financial accountant has been charged with theft.

Town & County was placed into receivership by the German bank, WPZ, on December 9 following discovery of the *alleged fraud. The group is* reported to have owed WPZ about £1m.

T&C's contracts at Gatwick and Heathrow airports were *sold just after the receivership* to two companies – Forte's subsidiary, Ring & Brymer, and Sutcliff Catering – securing 800 of T&C's 2,000 jobs. The *balance of staff will be* absorbed into Forte.

Mr Rocco Forte, Forte chief executive, said he was pleased with the buy: "Town & County is an excellent fit with our existing outdoor caterers, Ring & Brymer, and our contract caterers Gardner Merchant."

Choice of new Lonrho head surprises City

By Roland Rudd

LONRHO, the international trading group, yesterday surprised the City by appointing a new chairman from within the company.

Mr Tiny Rowland, who had *temporarily assumed the chair*manship of Lonrho in August, stepped down in favour of Mr René Leclézio, a director of Lonrho for 15 years and joint *managing director of the Lon*rho Sugar Corporation.

One conglomerate analyst said: "Institutional investors will be very disappointed with this announcement. It looks as if Lonrho cannot get anyone from outside."

Mr Edward DuCann, the former Conservative chairman, resigned the chairmanship of Lonrho in August following a report from the Department of Trade and Industry on his involvement with Homes Assured, the collapsed financial services company.

Since then many heavyweight political figures have *been mentioned* as possible candidates, including Dr David Owen, the former SDP leader.

However, Mr Paul Spicer, a member of the board promoted to joint deputy chairman with Mr Robert Dunlope, said: "A company this size and of this complexity needs someone on the ground who understands the business."

The appointment of the new chairman followed a statement from the company saying it was no longer interested in buying Mirror Group Newspapers "in light of the grave uncertainties" surrounding the group.

The abrupt change of policy did not help the group's shares which fell 2p to 161p. The share price has taken a battering this month, falling from 222p.

René Leclézio: a Lonrho director for 15 years

See Observer

Maxwells win right to travel

By Richard Gourlay

MR KEVIN and Mr Ian Maxwell yesterday won court permission to retrieve their surrendered passports and will *as a result be able to travel to* the US over the next few days.

Mr Justice Harman varied court orders brought by provisional liquidators for Bishopsgate *Investment Management*, the manager of the investment funds where millions of pounds of assets are missing.

The judge said there was no evidence to suggest that either of the Maxwells would abscond and that, despite the urgent need to trace and retrieve the missing assets, the task would not be unduly hindered by the return of the passports.

A family doctor said Mr Ian Maxwell was experiencing the effects of bereavement, following the death of his father Mr Robert Maxwell, and was suffering from acute stress.

He had asked to be allowed *to join his wife and in-laws in* the US over Christmas.

Counsel for BIM had argued that Mr Ian Maxwell's signed affidavit did not adequately reflect his knowledge about some transactions that might *lead to some of the missing* assets being traced.

In particular he said that Mr Ian Maxwell must have known about a £75m loan from *National Westminster Bank to* Robert Maxwell Group, referred to in board minutes on November 8, which was secured by shares that should have been in BIM for the benefit of the pension funds.

After leaving court Mr Ian Maxwell said he was happy with the outcome. "I certainly hope I have a peaceful Christmas," he said.

Following the variation on the order against Mr Kevin Maxwell, the late publisher's youngest son will fly to New York on Concorde today for further talks on the future of the New York Daily News, of *which he is chairman.*

He will also make a pre-trial deposition in a US court in a case brought by one of the Maxwell private companies, Headington Holdings.

Counsel for BIM had argued *that Mr Kevin Maxwell should* not be allowed to travel to New York as he might communicate with Mr Sheldon Aboff, a former lawyer of his father.

On Tuesday Mr Aboff was issued a Mareva injunction, which freezes any assets he has in the UK, following evidence suggesting he might have received loans from pension funds to buy Maxwell Communication Corporation and Mirror Group Newspaper shares.

Mr Kevin Maxwell agreed not to communicate with Mr Aboff over the litigation in London.

After leaving court he said he would be attending planning and creditors' meetings for the New York Daily News, which is in Chapter 11.

"It's another day for the New York Daily News and a very important one," he said.

New Holmes management signs agreement on debt

By Jane Fuller

THE NEW management of *Holmes Protection Group, the* US-based security company which is listed in London, said it has signed an agreement with its lenders which involves forgiving about half of a $69m (£38m) debt.

The repayment of $33.5m is dependent on a share issue which the new board, chaired by Sir Ian MacGregor, is still working on. The lenders would also receive shares amounting to 15 per cent of the enlarged equity.

At yesterday's share price of 5½p, the market value is less than £4m. To raise about $33m, a few hundred million shares might have to be issued.

Mr Eric Kohn, vice chairman and leading light in the investor group which mounted a management coup in September, said the combination of *eliminating debt and enlarging* the equity would transform the balance sheet. This was in spite of a more conservative approach to fixed assets and subscriber contracts which would reduce their value by up to $25m.

The issue should be ready to go ahead in January, he said.

It was not proposed to sell off businesses, which was part of the previous management's debt-reduction plan.

Harmony Leisure losses deepen

Pre-tax losses at Harmony Leisure Group, the USM-quoted *company which runs restau*rants and public houses, grew from £190,000 to £445,000 in the 26 weeks to September 29. In the year to March 31, they had been £2.17m.

Turnover declined to £3.81m (£5.19m) and this low level resulted in operating and administrative costs rising to 41 per cent (36 per cent) of turnover. But gross margins improved from 31.6 per cent to 35.4 per cent at September 29.

Upward trend at Andrews Sykes

Pre-tax profits at Andrews Sykes Group, the industrial services company, slumped *from £2.01m to £519,000 in the* six months to September 30 1991.

However, this marked an improvement on last year's second half when losses totalled £692,000.

Mr David Hubbard, chairman, said there had been improvement on all fronts. Bank borrowings had fallen by £1.2m since the year-end and by £3m in the last 12 months; overheads had been reduced and productivity increased, with turnover per employee up by more than 5 per cent despite *a 10 per cent reduction* – from £31.1m to £28.1m – in turnover.

The interim dividend is maintained at 1.4p but there were zero *earnings* (6.8p) per share.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 19.12.91: Pool purchase price £/MWh	Final Prices for Trading on 21.11.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.36	16.53	16.53
0100	31.79	20.03	21.99
0130	31.79	22.18	24.21
0200	31.79	22.18	24.19
0230	19.73	19.37	21.29
0300	19.42	19.53	16.53
0330	17.45	16.53	16.53
0400	17.45	16.49	16.49
0430	17.36	16.47	16.47
0500	17.36	16.47	16.47
0530	17.38	16.60	16.60
0600	17.38	16.60	16.60
0630	17.38	16.60	16.60
0700	19.17	18.33	20.22
0730	19.91	20.46	22.42
0800	20.36	26.21	28.40
0830	20.89	26.22	28.39
0900	22.00	26.23	28.40
0930	22.02	28.59	30.85
1000	22.03	28.59	30.85
1030	22.02	28.59	30.65
1100	22.03	26.13	28.30
1130	22.04	25.03	27.17
1200	22.04	26.14	28.31
1230	22.02	26.14	28.30
1300	21.89	25.52	27.62
1330	20.98	22.39	24.38
1400	18.40	22.39	24.35
1430	17.96	22.39	24.36
1500	17.98	21.86	23.82
1530	18.14	22.39	24.37
1600	28.95	22.53	24.58
1630	72.38	35.06	38.99
1700	120.84	53.91	60.02
1730	129.38	58.58	62.34
1800	91.73	49.96	54.96
1830	45.87	33.31	35.99
1900	30.62	27.58	29.71
1930	24.80	27.15	29.21
2000	22.02	21.13	23.07
2030	21.12	20.46	22.39
2100	21.11	20.46	22.40
2130	20.60	20.05	21.96
2200	20.15	19.63	21.55
2230	19.91	18.33	20.22
2300	17.45	16.63	16.69
2330	17.36	16.53	16.53
2400	17.36	16.49	16.49

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Brent Walker confident of restructuring

By Roland Rudd

BRENT WALKER, the troubled leisure group, is confident of receiving two-thirds support from its shareholders for its restructuring plan *at today's extraordi*nary general meeting.

The basis of the restructuring plan is the conversion of £250m of secured bank debt into ordinary shares and preference shares.

Failure to acquire the two-thirds support could end in Brent Walker being put into liquidation. Mr George Walker, founder and former chief executive, was last night appealing in the High Court against attempts to put Bird Cage Walk, a family trust, into receivership.

The banks, owed more than £1.3bn from Brent Walker, hoped to bankrupt the trust, registered in Hong Kong, in advance of today's EGM.

If the trust is not in receivership Mr *Walker could have enough votes to* deprive the company from gaining the support of two thirds of the shareholders for the restructuring plan. Mr Walker favours alternative proposals put forward by Lonrho, the international trading company.

However, the company is now confident *that it will gain the 75 per cent support* it needs regardless of how Mr Walker votes.

In a separate development, the Serious Fraud Office, yesterday issued the con*tents of a letter it has sent to Simmons &* Simmons, the company's solicitors, informing it that Mr Walker had been helping it with its investigation into the group.

Wolverhampton & Dudley buys Camerons for £18.7m

By Philip Rawstorne

WOLVERHAMPTON & Dudley Breweries (W&DB) is to buy Camerons brewery, associated beer brands, and 51 pubs in the Tyne/Tees area for £18.7m from Brent Walker, the debt-laden leisure group.

The Midlands-based brewer, which will also acquire Camerons' stock and a proportion of its free trade in the north-east, intends to develop the business as a separate regional brewing company.

Total cost of the deal – which is subject to approval by *Brent Walker's bankers* – is expected to rise to between £25m and £30m after W&DB's reorganisation costs and its planned investments in the pub and free trade business.

Brent Walker's aim to quit brewing to concentrate on pub retailing had threatened the Hartlepool brewery with closure until a management buy-out bid in April sparked off a local campaign to ensure *its survival.*

Mr Alistair Arkley, who led the unsuccessful management bid and recently launched a pub retailing company in the area, said yesterday: "We are bitterly disappointed, but we are pleased for Camerons that such a blue-chip brewing company has taken over. Our victory is in seeing Camerons survive."

Mr David Thompson, W&DB managing director, said yesterday that the deal was "in line with our strategy of development as an integrated regional brewer, focusing on areas with good road communications, population density, and above-average beer consumption."

Camerons' Strongarm brand of premium bitter will complement W&DB's premium lagers, Grolsch and Kronenbourg, and provide a strong portfolio for expansion in the north-east's free trade.

The Hartlepool brewery, which employs 400 people and has a capacity of 350,000 barrels a year, will continue to brew Camerons' brands and supply them under contract to Brent Walker's pub estate in the area.

*About £15m of the acquisi*tion price is represented by the 51 pubs – 18 managed houses and 33 tenancies – which are located in urban areas throughout the north-east.

W&DB, which reported a 3.8 per cent increase in pre-tax profits to £33.1m for 1990-91, had borrowings of £44.7m and gearing of 12.9 per cent at the end of September.

Mr Alan Flockhart, finance *director, said yesterday that* the acquisition would lead to a "modest dilution" of earnings in the first year but a positive contribution thereafter.

Brent Walker is still awaiting approval by the Office of Fair Trading for its agreement to lease 750 pubs from *Allied-Lyons.*

TECHNOLOGY

The Data Discman is Japan's surprise consumer electronics hit of the year – but it was developed from a product that flopped. **Steven Butler** reports

Sony scattergun hits the target

On a Saturday afternoon in early 1988, Yoshitaka Ukita, a workaholic 'salaryman' at Sony, sat at his desk in the office, pondering the company's latest consumer electronics flop – the 8cm single compact disc player. Ukita had led the team to develop the product. Beside the player were two objects: a Filofax personal organiser and a Sharp electronic organiser, also sold as the "Wizard".

Ukita stared at the three products, trying to think how Sony could adapt its miniature compact disc technology to the growing market for portable information systems.

Before he left for home that evening, he had the inspiration for what has become this year's surprise hit in consumer electronics: Sony's Data Discman.

The Data Discman is a personal information machine that is, essentially, a souped-up version of Sony's failed 8cm CD player. The original model, launched a year ago, had only a flip-up screen to display text stored on read-only 8cm CDs.

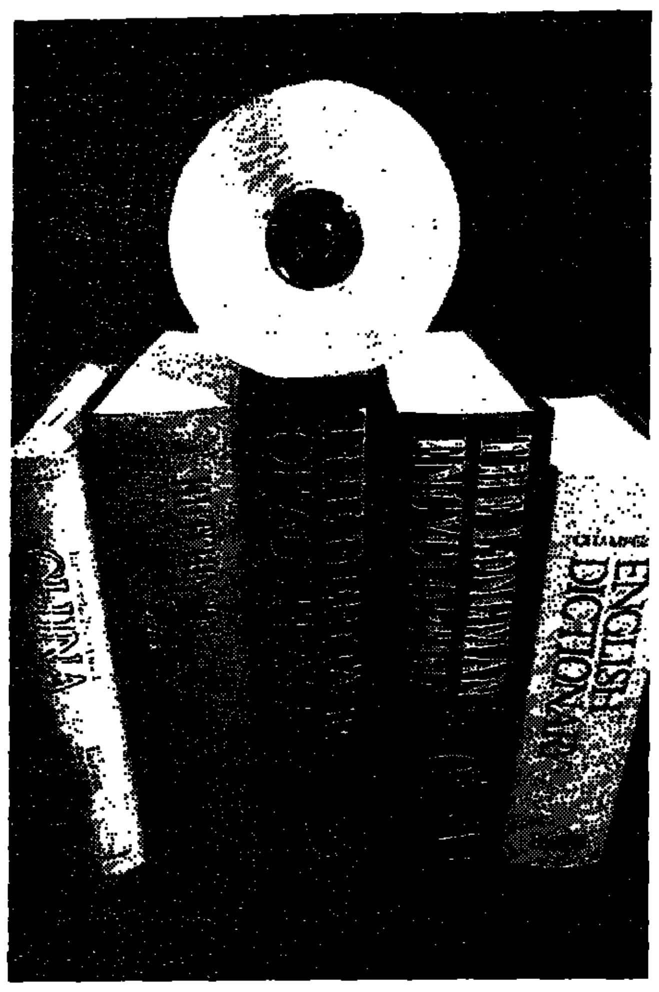
Sony has enlarged the liquid crystal display and put in backlighting, added still pictures and, at the touch of a button, sound – not a thin computer-synthesised voice, but CD-quality music and speech. It is only a matter of time before moving pictures and colour are added to the menu, and perhaps telecommunications.

Sony, inventor of the Walkman cassette player and the 8mm video camcorder, appears once again to have beaten the odds to develop a successful new concept in consumer electronics.

The Data Discman is not mainly a triumph of new technology, although Sony uses the latest. Rather, it is a creative repackaging and skilful engineering of technology that was available to any of the big consumer electronics companies, from Philips to Matsushita. It is an idea product.

The Data Discman is also yet another illustration of how effective Sony's "scattergun" approach to product development can be. A successful product has been redesigned off the back of a failed one, with the market potential in either case inevitably difficult to anticipate.

Indeed, Sony did not initially have high expectations for the Data Discman and planned production of only 5,000 units a month. In the event, Sony sold 100,000 in the first year in Japan. The product was launched in the US and Germany last month, and will hit the UK, France and Spain next spring.



Meanwhile, 12 companies, some with huge marketing power like Matsushita, have signed licensing agreements for Sony's electronic book standards. Publishers are putting more books on to CDs. A new industry in electronic publishing is in the making.

Perhaps this paints a prematurely optimistic picture based on sales in the Japanese market. So far, the Data Discman is primarily a tool for education and information retrieval. Sony's latest model comes with a CD that contains eleven large dictionaries. Now there are language lessons, travel guides, quiz games, a golf course guide and, not least, the Bible. The possibilities are endless, from wine vintage and ski resort guides to the Encyclopaedia Britannica.

The CDs hold a vast amount of data in extremely compact form and allow exceptionally easy access. The machine weighs 500g and fits easily in the palm of the hand.

With the addition of sound, Sony's Japanese-English dictionaries and language texts can pronounce the words and sentences in the voice of a native speaker.

Ukita grins hopefully at the suggestion that every Japanese parent will find the Discman an indispensable tool when little Taroo studies English. . . or indeed when Helmut learns Italian, or Fiona takes up French.

It is hard to see the Data Discman taking off so quickly as the Walkman did. It is not nearly so much fun, although Ukita plans to add a repertoire of comics, games, talking novels and gigantic map finders.

But it is easy to imagine this product eventually finding its way into a large percentage of homes, particularly with the backing of the big electronics and publishing companies.

The success of the product is more than a marriage of a good idea and technology. Sony, famous for making electronic hardware and for dropping $6.1bn on the purchase of Columbia Pictures, the US film studios, has entered a new field of business.

"We had no experience of publishing software," he says. "The Sony design centre made up a package, a mock up. Our basic concept was that we wanted to establish a publishing business that was electronic, a personal information controller. Before we went to the publishers, we thought the publishers were very conservative. But every publisher that we visited was so enthusiastic that they instantly decided to enter the electronic publishing business."

Of the 20 Japanese publishers that Ukita visited, 18 had come out with titles on disc by the initial launch date of January 1 1990. Sony would not be repeating the mistake it made with its Betamax format video recorder, in which it developed a high quality product that failed to catch on because it was not supported by the software vendors – in this case, the movie makers.

Sony had to go to printing companies for help in writing software for organising and retrieving data. Perhaps most difficult of all, Sony had to reshape Japan's convoluted and inflexible distribution system so that a publishing product would end up being sold alongside an electronic product in both bookstores and electronics shops. Ukita reasoned that the discs and the machine needed to be available at the same outlets to achieve rapid success.

As the product launch date approached, it was still top secret even inside Sony, where it was code-named "Skunk Works" by some American engineers. But finally it was time to let Norio Ohga, Sony's president, in on the secret.

"We thought we would be praised for it," says Ukita.

Ohga had a different idea. He insisted that Ukita and his team redesign the product in order to put the 8cm discs inside a caddy, a small plastic case. This would prevent any confusion with the 8cm music CDs, would protect the discs and might also stop people from asking why the data discs, with thousands of pages of copyrighted material, cost so much more than a music singles track.

The price of the redesign, however, was a six-month delay in the launch. No matter; Sony is now churning out 20,000 Data Discman units a month.

Ukita is also trying to make the product more exciting, to bring down the average age of the purchaser from the current 40 years old, and to push down the price. The cheapest Data Discman is Y48,000 (approximately £200).

If the Data Discman does become a mass-market success in the west, perhaps the myth will finally be dispelled that Japanese companies cannot think up new product concepts.

Ukita himself is not entirely clear how the product will develop from here. The expense and risk of producing software may slow the introduction of colour and moving pictures.

Technology is no obstacle: only cost and imagination.

"The idea itself came from the user, the market," he claims. "Because the product is new, we hardware and software companies must grow up together with the user."

Shareholders seek to bring R&D spending to account

Investors want a clearer picture of research, writes **Norma Cohen**

Corporate executives have long railed against the "short-termism" of institutional investors, charging that shareholders look no further than the next dividend before deciding to sell a stake.

But institutional shareholders argue that companies disclose too little of their future plans to give shareholders any other basis for decision making. In particular, shareholders say, little is known about expenditure on research and development – an activity that goes to the heart of long term growth prospects.

They also argue that what little is disclosed is often inadequate to help them make informed judgements about how companies are spending their money and the likely future benefits.

But last January, for the first time, industry representatives and shareholders met to discuss what owners should know about R&D expenditure and how they should be told.

The Electronics Equipment Association approached the Bank of England-backed Institutional Shareholders' Committee, seeking joint discussions on the presentation of R&D expenditure in corporate accounts. According to Peter Sachs, EEA director-general, members generally agreed that a code of practice on R&D disclosure would encourage shareholders to take a longer term view of company prospects.

"We decided that you have to motivate people – tell them what you are doing," Sachs says. He recalls being in a chairman's office when the company's earnings were announced. "He thought that in light of the recession they were pretty good, but the share price fell 6p. He said 'My God, what do these guys want?'"

Early next year, the ISC is expected to unveil its code of practice which, among other things, is expected to encourage companies to give a five-year review of R&D expenditure. It is likely to suggest that companies include product development expenditure – something not required under existing accounting conventions.

International comparison of R&D spending 1989/90

Top 100 per country

All industry composite	Current spend (£bn)	R&D/employee (£)	Sales (£bn)	R&D % of sales (%)
UK	£5.90	1,530	[illegible]	1.69
US	£27.75	3,730	[illegible]	3.80
Germany	£14.70	4,320	[illegible]	5.09
Japan	£20.13	n.a.	[illegible]	3.71

Source Company Reporting

Most controversially for companies, they will be asked to include some description of the work in progress and some estimate of the likely returns that may be derived from it.

It was this last point that forced the EEA, with regret, to withdraw from the talks several months ago. However, the ISC has deemed the matter so important that its own members decided to press ahead with the creation of a recommended code of practice.

The EEA's decision to withdraw from the talks reflects, in part, the reason why shareholders feel that some code of practice is necessary. At the heart of the matter was the fact that EEA members could not agree on how much they really wanted to discuss projects with their shareholders – and with their competitors.

"Every chairman believes it is his right to conduct his relations with the City on his own terms," Sachs says.

But for many, disquiet about additional disclosure stemmed not from concern about how investors would use it but fear that it would become available to competitors.

Greater disclosure was generally welcomed by EEA members whose products are too big to hide, Sachs says. Manufacturers of defence equipment and aircraft, all of whom assumed their competitors knew exactly what they were doing, seemed well disposed towards outlining R&D expenditure. However, manufacturers of telecommunications and information technology products felt that this could disclose far too much to competitors.

Meanwhile, the ISC is arguing that current accounting conventions should be modified to force a truer picture of R&D expenditure. The group has written to the Accounting Standards Board to seek modifications to the so-called SSAP-13 standard, which discusses how these expenditures should be presented.

The ISC moves towards a code of practice are the first flexing of institutional muscle in that arena. The code is an outgrowth of the nascent corporate governance movement which encourages institutional shareholders to act like owners of companies, not simply passive investors.

Ironically, much of the effort to unlock details of corporate R&D expenditure has come not from institutions but from government. Last June, in an effort to jog UK companies into beefing up their spending on innovation, the Department of Trade and Industry's Innovation Unit published an R&D "scoreboard," showing which companies spent the most. It also showed that while overall R&D expenditure in Britain is rising, the UK still lags well behind US and Japanese companies in most industrial sectors.

"I believe the R&D scoreboard should now stimulate investors to question companies who appear to be under-investing in R&D," said trade secretary Peter Lilley said. "In turn, [it] should encourage companies to take pride in their R&D effort and discuss it more fully with their shareholders, analysts and journalists."

In July, the DTI's Innovation Unit published a handbook aimed at improving communication between companies and shareholders on the subject of R&D expenditure. It recommends that investors should ask companies their business strategy and whether there is sufficient expenditure on innovation to support it. They should also ask whether the risks and returns of that expenditure are likely to translate into longer-term shareholder value.

FINANCIAL TIMES SURVEY

UK TV FRANCHISES

Thursday December 19 1991

Drama without script

The drama of franchises won and lost should not obscure structural changes under way at ITV, writes Raymond Snoddy. The new balance of power is unclear, but it is certain that competition will grow

THE UK broadcasting industry is going through the most dramatic period of change in its history as technology, intensifying competition and government intervention combine to undermine the old order.

October's announcement of the winners and losers in the controversial and highly criticised competitive tenders for new 10-year ITV franchises was merely the most headline-grabbing symptom of change.

Four ITV companies out of 16 lost their franchises, including the largest and one of the most distinguished, Thames Television, and one of the most popular, TV-am.

But, as the ITV companies try to sort themselves out for the beginning of the new franchises on January 1 1993:

- the Independent Television Commission is preparing to advertise a new Channel 5 early next year – a channel that will be able to reach around three-quarters of the UK population;
- Channel 4 moves towards selling its own airtime and competing more directly with ITV. At the moment, the channel is funded by subscription based on a percentage of ITV advertising revenue;
- the first of three national commercial radio licences has been awarded, and the Radio Authority plans to license 20 to 30 new local commercial radio stations a year;
- after a slow start, both cable and satellite are beginning to make their mark in the UK – more than 100,000 satellite dishes were installed in both October and November;
- a debate is under way about the BBC's structure, purpose and funding, ahead of the renegotiation of its Royal Charter.

No-one yet knows what the new balance of power will be in British broadcasting when all the changes now in train work their way through.

Two things are certain – that competition for both audiences and revenues will intensify through the 1990s and that, despite the increased competition, the ITV companies are likely to remain at the heart of the commercial broadcasting system and its largest single component.

At first glance, it appears that ITV has weathered several years of government-induced uncertainty with remarkable success.

The concept of a quality threshold as a barrier to applicants for the new franchises before the financial bids were considered was a concession by the government. As a result, four of the Big Five ITV production companies survived, even though two – Granada and London Weekend Television, as well as Thames, a loser – were heavily outbid.

The winners and the losers
Page 2
Programme quality and independent producers
Page 4

Although battered by a deep advertising recession, ITV has been riding high in the ratings, trouncing the BBC with a wide range of popular drama.

The final chapter in the ITC franchising process is not yet complete. Television South West, the Plymouth-based ITV company, has won the right to have a High Court judicial review of the ITC decision to deny it a licence. The ITC decided that the company's £16.117m bid raised doubts about whether it could sustain a high quality service over 10 years. Instead, the licence was offered to Westcountry Television which bid nearly £9m a year less.

Three other companies are now asking for permission to have their cases reviewed by the High Court and the ITC's overall franchising package could yet start to unravel.

Almost obscured by the drama of franchises won and lost, fundamental structural changes have been under way in ITV.

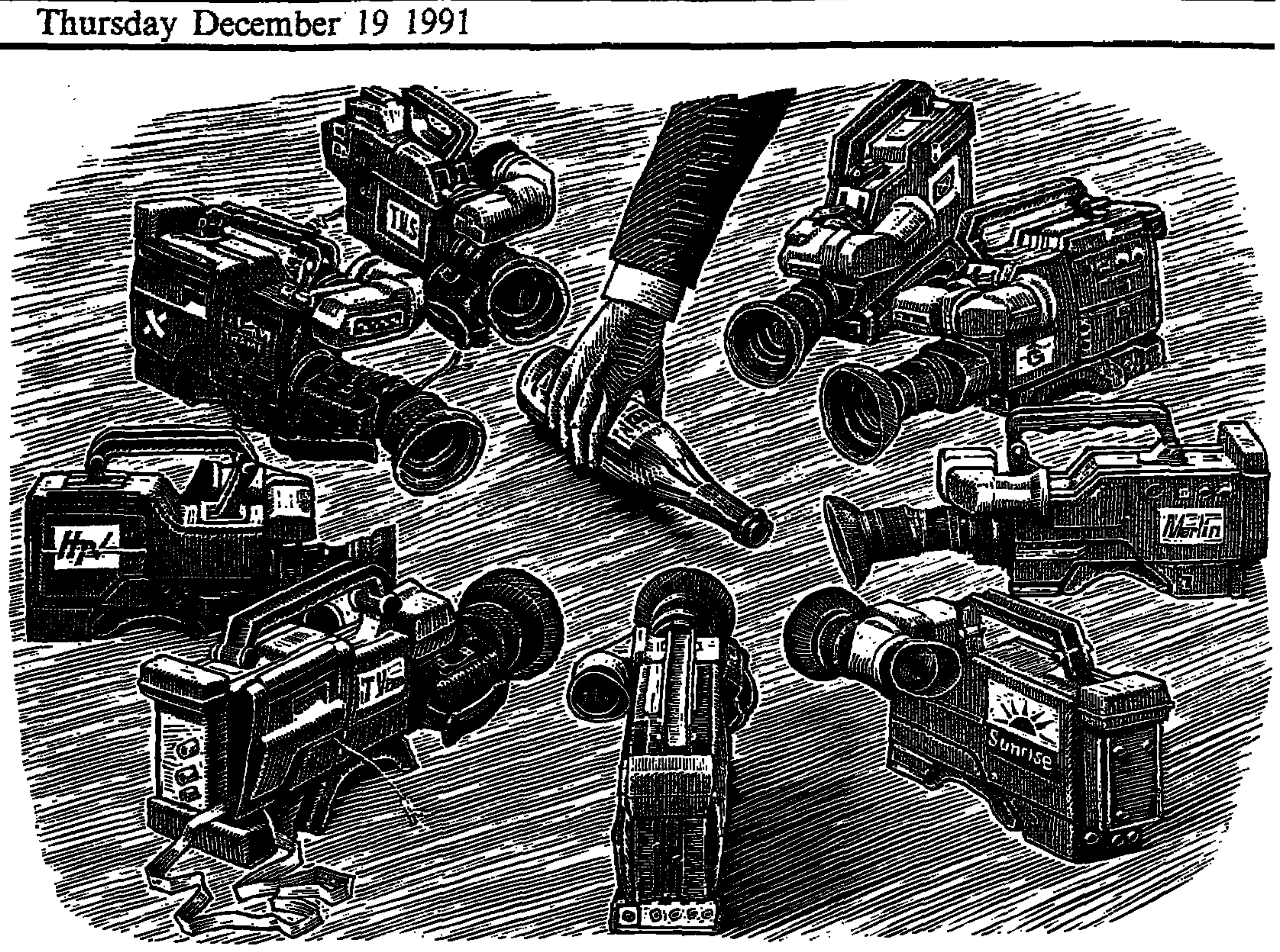
Perhaps the most important has been the slow but steady move towards independent producers and away from the tradition that most programmes are made in-house by ITV staff.

ITV is already close to meeting the target, set in the 1990 Broadcasting Act, that 25 per cent of non-new programmes should be made by independent producers.

The independent sector received a significant boost in October when the two largest winners, Carlton Broadcasting and Meridian, won on the basis of being publisher broadcasters. This means that, with the exception of regional news, the companies plan to commission virtually all their programmes from independent producers.

The difference, at least in terms of direct employment, is dramatic. Carlton Broadcasting will only have about 300 employees compared with about 1,400 at Thames, the company it replaces.

Some ITV executives are now speculating that, instead of the 25 per cent quota, independents could before too long be responsible for 40 and perhaps even 50 per cent.



David Bromley

The ITV network will also be significantly affected by the appointment some time next year of a central scheduler. For the first time, at least in theory, the traditional horse-trading on who makes what for the national network will give way to a more rational system. The central scheduler should be in a position to choose the best ideas for the ITV network, wherever they come from.

Both the ITC and the Office of Fair Trading are expected to insist that the workings of the national ITV network are transparent and fair.

It is unclear what impact Channel 5 will have on ITV, at least at first. The ITC has stipulated that broadcasting should begin by the end of 1994 but, before that happens, a winning bidder will have to commit significant sums of money to pay for the necessary transmitter network and for retuning an unknown proportion of video recorders now using frequencies allocated to the new channel.

When the new franchises start, the ITV system will have just a year to shore up its defences against possible takeover. The government decided there should be a moratorium on takeovers until the beginning of 1994. After that, the ITV companies could be vulnerable to predators from continental Europe although bidders will have to take on all the financial and programming obligations of their targets.

The good news for ITV companies, even those which bid high to retain their franchises, is that if they are not taken over they should be able to continue broadcasting in perpetuity. After six years, the winning companies can apply for a second 10-year franchise and get it without again going through a tender process.

Twenty years down the line, there are likely to be so many TV channels on cable and satellite that there will be no need to run competitive tenders to allocate ITV frequencies.

In the medium term, the competition from satellite is likely to grow gradually although satellite television's main revenues will come from subscription rather than advertising in the foreseeable future.

Last month the number of satellite dishes in the UK topped 2m and according to the FT Satellite Monitor, which looks at the market, there could be 7.25m dishes by 2001.

Even so, ITV will almost certainly remain Britain's single most popular channel as audiences fragment among the perhaps 100 European-language channels that should be widely accessible by then.

Bronwen Maddox on the financial implications of the ITV licence awards

What the next decade may be worth

ON DISCOVERING that TVam had lost the breakfast television licence, Mr Bruce Gyngell, its chairman, predicted that the winner, Sunrise, would be bankrupt by 1994. Sunrise had seized the franchise with a bid of £34.6m, compared to TVam's £14.1m.

The difference in the size of the bids for some of the regions – the south/southeast and southwestern regions, as well as breakfast – show the extent of disagreement in the industry about the value of the next 10 years.

At this point, it is hardly clear which view is right – indeed many managing directors, consultants and accountants involved in projecting the next 10 years for the bids say they found themselves week by week switching between the two camps.

There are two main questions about the financial impact of the licence awards. The first is the effect on the network overall – and the answers very enormously between the "Gyngell" and "Sunrise" camps.

The second is the likely shifts in the balance of power within the ITV network. Because of differences of business plan, and because some licence holders managed to hold on to their prize with a very low bid, the ITV companies begin the race in January 1993 with vastly different financial handicaps.

Most in the industry agree that there will be further cost-cutting in the existing companies. Even where the companies have survived with low bids, they will be battling against a newly-competitive Channel 4 and the satellites for a share of the audience.

The tiniest mainland licences are expected to be swallowed up

The licence holders are each obliged to make a range of local programmes under the terms of their licence, an expensive and labour-intensive business, and one of the remaining luxuries of the ITV network.

But beyond that, there is likely to be financial pressure to consolidate. The licence holders may increasingly share advertising sales forces, or studio facilities.

In some cases they may consider merging, to achieve some final, local, economies of scale.

Yorkshire, one of the higher bidders, which holds a 20 per cent stake in northern neighbour Tyne Tees, is one possible candidate. Under Independent Television Commission rules, it might be allowed a "friendly" merger after 1993, or a "hostile" takeover after 1994.

Many in the industry expect the tiniest mainland licences – Border, Grampian and Westcountry Television – to be swallowed up by larger ones eventually, in search of savings on local news.

The largest part of any licence's costs, after payments to the Treasury, is its share of the ITV network programme schedule.

ITV licence holders are obliged to show this central schedule in their region, which means that for most of the time viewers in different parts of the UK see the same programmes. The companies pay for this schedule roughly in proportion to their share of advertising revenue, with subsidies for the smallest.

Pessimists about ITV's future have feared that financial constraints may prevent ITV increasing its network budget as much as it should to fight off the competition from satellites and Channel 4. Satellites could also bid up the price of buying films and sport, some of the core parts of ITV's present schedule, leaving it to focus on light entertainment, drama and news.

However, the new licences look likely to take less money out of ITV overall than was feared before the announcements, and since several of the larger companies won with particularly low bids (Granada, Central, LWT) the optimistic camp has won more support.

On this view, ITV can simply reshuffle its schedule, getting better value for its programme ideas – more money out of the same airtime.

ITV has always tended to make very short runs – half a dozen or perhaps 20 episodes – even of its best creations. That practice arose to accommodate the pressure from the companies to get their ideas on the screen and keep up their reputations as programme makers.

Hollywood studio executives, seasoned by the tough battles of the US television network ratings wars, have found ITV's programme commissioning methods uncommercial to the point of incomprehension.

"They get an idea that works and then they pull it off the screen on and put on another second-string show, just because some guy up north says it's his turn – these people just aren't in it to make money," says one executive from a US studio that eventually decided not to take part in the licence scramble.

Almost everyone within ITV – old hands and newcomers – agrees that it cannot afford these indulgences in the future. Hit "shows" (as there is now a taste for calling them) will be scheduled at peak time, pushing news and current affairs to less lucrative slots, and kept running for as long as the ratings warrant.

The ITV optimists say this strategy will secure ITV's share of the audience in the battle with the satellites and that it is the BBC that should worry more.

However, it is clear that whichever view proves correct, there is likely to be a shake-up in ITV programme production – which companies generate the ideas and make the programmes.

Under the old system, most ITV programmes were made by five of the largest companies, with petitions by the regions to contribute a greater share gradually becoming more successful.

However some of the new entrants (Meridian Television in the south/southeast, and Carlton Television in London during the week) have resolved to commission programmes from independent producers outside the ITV network.

Others that have survived with low bids, and profit margins nearly intact, may find that they can increase their programme making share at the expense of others who are suddenly financially constrained.

Current affairs will be pushed into less lucrative slots

There are reasons why large producers fare better than small ones: that may mean that ITV's programme making becomes concentrated in a few hands. Capital backing helps to support a "laboratory", constantly developing ideas, and size reduces the overall risk of failing to get programmes onto the ITV schedule.

Central, Granada and LWT, with their low bids, and to a lesser extent Carlton, may gradually find their influence over ITV's schedule increasing.

In first few years of the new licence, the main attraction of that power may be just the additional control over the total cost and contents of the central ITV schedule.

Programme making in the UK has scarcely been a profitable business in the past; producers selling programmes to ITV and BBC have generally been reimbursed for production cost, rarely for the finance cost of making the programme, and have only occasionally managed to extract a profit margin.

However as ITV, the BBC and the satellites begin to compete more aggressively for some high rating programmes, it is possible that programmes will begin to command a higher value, reflecting the value of the audience they pull in, rather than the cost of making them.

In that case, companies which have managed to win a licence at a low price could find their relative financial strength has won them a second prize – a profitable programme making business.

THE CONSULTANTS

Worth their fees

ONE beneficiary of the decision to put ITV out to competitive tender was the stage army of consultants standing at the elbow of applicants, writes Raymond Snoddy.

Every major consultancy firm, from Coopers Deloitte and Arthur Andersen to Price Waterhouse and National Economic Research Associates, was on hand to help with business plans or models of the economy, complete with projections of growth in television advertising revenue to the turn of the century and beyond.

The nature and complexity of the task – with a two-part quality threshold covering programme and business plans – meant the applicants could not compile their applications without professional help.

In many cases, professional advisers came close to being involved in the crucial decision of deciding how much to bid.

As an example of the scale of the operation, when Coopers Deloitte began a party at noon on May 15 – the final deadline for submitting bids – more than 70 people took part.

The firm's score was impressive. It was involved in seven applications – Grampian, Tyne Tees, Ulster, Scottish, Meridian, Channel and Thames. Only Thames lost, though its bid was complex.

All the signs are that the task at Thames was not simply to find the highest possible bid that could be sustained. The aim was almost certainly to balance the worth of the franchise with the value of the company as an independent producer. The strategy almost guaranteed that Thames would be out-bid and would therefore depend on "exceptional circumstances" for survival.

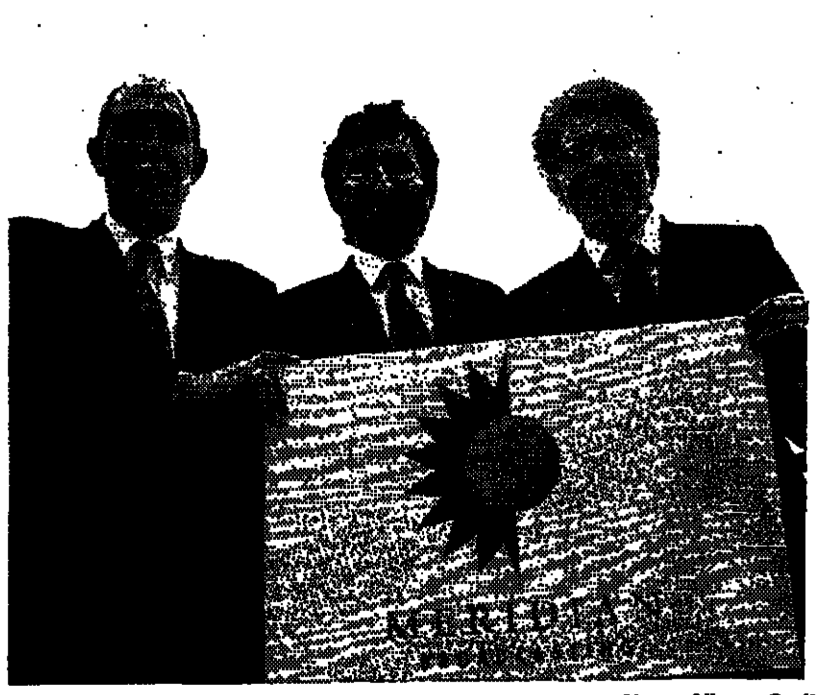
Coopers Deloitte probably earned fees of £2.5m to £3m out of the franchising process.

Booz Allen & Hamilton was more selective and expensive, but it had a small but perfect record. The firm represented just two applicants, Carlton Broadcasting and HTV in Wales and the West and charged each of them £500,000.

Carlton won the London weekday licence and HTV, against expectations, saw off three rivals with a £21.5m bid.

The signs are that HTV might have bid several millions pounds lower without the input from Booz Allen whose consultants argued, correctly, that the opposition could bid up to £20m.

In the circumstances, it is unlikely that either Carlton or HTV will complain about the size of their consultancy fees.



Winning teams: Meridian's Roger Laughton, Lord Hollick and Simon Albury; Carlton Television's Nigel Walmsley, Michael Green and Paul Jackson

THE WINNING COMPANIES

Now for the deals

THE UK government looks as if it will emerge as the greatest overall winner of the upheavals in the commercial broadcasting system.

Not only will the Treasury get more money from the broadcasting system than ever before but, leaving aside the capricious nature of the contest and the bitterness of those who will soon be *losing* their jobs, overall the Independent Television Commission has probably delivered a workable system.

It is far from clear *what* the financial impact on the commercial broadcasting system will be. All companies have to pay a qualifying rental based on a percentage of advertising revenue which is roughly the equivalent of the existing special levy now being reducted in its last year of life.

The 16 winning companies will *therefore* pay a gross sum of nearly £250m a year extra to the Treasury – a sum that will rise in line with retail prices. The figures are not quite so bleak as they look because the bids are tax-deductible and, for example, the government and not the ITV companies will in future fund the Welsh Fourth Channel.

The ITC, the only organisation with access to all the confidential business plans of the applicants, estimates that the *total net extra money going to* the Treasury over the 10 years of the licence will only be £40m a year. There is considerable scepticism about this figure. It is also argued that, even if it is correct as an average, some individual companies will be proportionately much harder hit and that the average understates the impact in the first few years of the new licences when the broadcasters are at their most vulnerable.

Out of such a system a small number of relative winners emerged. Central Independent Television and Scottish Television were both lucky, clever or daring enough to bid just £2,000 a year each. They judged correctly that no-one was to going to bid against them. They submitted bids of £2,000 rather than the minimum £1,000 because the rules said bids should be in multiples of £1,000. To make sure, they bid in multiples.

Such bids will greatly enhance the power of Central and Scottish within the ITV system, not to mention their profits. The share price of both companies has shot up as a result.

On a slightly less grandiose scale, both Granada Television and London Weekend Television emerged as "winners" *despite being heavily outbid by* determined opposition.

Granada bid £9m to North West Television's £35.3m for the North-West franchise. LWT put £7.85m in the brown envelope compared with London Independent Broadcasting's £35.4m.

Granada and LWT gambled heavily, and correctly, that their rivals would not manage to get over the very detailed programme quality threshold.

Then there are the most obvious winners of all – the *four new broadcasters that put* in the highest qualifying bids for their franchises. None of them got their franchises for *nothing*, though Westcountry Television's bid of £7.8m must be judged on the reasonable side.

Carlton Broadcasting bid £43.17m a year to oust Thames and though the company believes it will be making a positive contribution to group profits throughout the franchise period no-one could call it a "snip".

Ironically, Carlton could possibly have won the franchise for considerably less if it had been prepared to take a greater gamble. Earlier this year, the television services company was in advanced negotiations with Thorn EMI, the Thames *parent, to buy a majority stake* in the company. Talks broke down over price. A Carlton-owned Thames would have been a formidable force in the contest for the London weekday franchise and might have frightened off other bidders, making a lower bid possible. Such a strategy would, of course, have been risky with no guarantees of success.

Meridian Broadcasting, led by Lord Hollick's MAI group, won the South of England franchise with a bid of £36.5m, which should *allow* a reasonable return given that the area is one of the best for advertising in the country.

Sunrise, a consortium linking LWT, Disney, the Guardian and Scottish Television, won the breakfast franchise with a bid of £34.6m – £20m more than TV-am. When the rental is added, Sunrise's total gross payments to the government will probably total £50m a year to be earned from less than 3½ hours' broadcasting a day.

But it is already clear that the pattern of winners and losers will turn out to be more complex than simply adding up bid sums.

New strategic alliances will be struck, partly through cross-shareholdings but partly perhaps just through the need *to co-operate.*

Leaving aside Scotland – Scottish has always dominated television production there and should now be able to increase its network offerings – three clear power centres in ITV are likely to emerge.

The most obvious and potential most powerful is in London where Mr Michael Green, chairman of Carlton, is a friend of Mr Christopher Bland, the LWT chairman. The two com*panies will almost certainly* operate a joint transmission system and together produce a seven days a week regional news service. Carlton may actually operate out of LWT's London Television Centre. The links have been even more formally cemented by Carlton's recent purchase of a 20 per cent stake in Sunrise.

Another heavyweight grouping is likely to be led by Mr Leslie Hill at Central. The company already has a 20 per cent stake in Meridian, one of its new neighbours, and could also take a minority stake in Anglia, thereby entirely circling London.

The third power centre will almost certainly be led by Granada, although it is too soon to know what the company's future relationship with Yorkshire will be. Relations were strained because Granada joined with Border to bid unsuccessfully for Tyne Tees, a company in which Yorkshire has a 20 per cent stake. Yorkshire in turn formed the backbone of the North-West bid against Granada.

Yorkshire is expected to *extend its reach next year with* a friendly takeover of Tyne Tees, something that the 1990 Broadcasting Act allows because Tyne Tees is judged to be a small ITV company. The nine largest companies are not allowed to take each other over.

It is not clear yet whether Granada and Yorkshire can form a greater northern alliance or whether the "War of the Roses" between the northern rivals will continue.

The real winners will be those ITV companies which manage to achieve, through such alliances, sufficient clout to be major programme producers on an international scale and at the same time are strong enough to see off international predators when takeovers become legal on January 1 1994.

Raymond Snoddy

THE LOSERS

The fight goes on

THE MOST difficult decision of all for the Independent Television Commission was the fate of Thames Television, the largest ITV company and a broadcaster that on its own has been contributing more than a third of the programmes on the national network.

The numbers were all too clear. Thames had been heavily outbid by two rivals and one of them, Carlton Communications, had not only bid £10.47m more, but had passed the quality threshold that all applicants had to get over before financial bids were even considered.

The only thing that might prevent the company responsi*ble for programmes* such as "Minder", "Rumpole of the Bailey" and "The Bill" losing its broadcasting licence was "exceptional circumstances". This was the clause that gave the ITC the discretion to set aside the highest qualifying bid. Although these circum*stances were never precisely* defined, the implication was that the main grounds for exercising that discretion would be exceptionally high programme quality.

Bruce Gyngell of TV-am: little room for manoeuvre

More time was spent discussing the future of Thames than that of any other applicant.

"Everyone started out wanting to save Thames but we couldn't find a reason," said one of those involved – presumably meaning a reason that would stand up in court. It was clear from the outset that the ITC was reluctant to get into the legally ambiguous area of invoking exceptional circumstances.

The decision meant the end of Thames as a broadcaster and the loss of at least 1,000 jobs at the company.

Thames was the biggest of the four existing ITV companies to lose its franchise. The others were TV-am, the commercial breakfast station, TVS Entertainment, the south of England ITV company and its smaller neighbour Television South West.

Thames and TV-am lost because they were out-bid but *ironically both TVS and TSW* failed because they were judged to have bid too high in a desperate attempt to retain their franchises against determined opposition. The formal way it was expressed was that in the view of the ITC they would be unable to sustain a high-quality programme service over 10 years of the licence.

For the overbidders at least, the game is not yet over. Their arguments are that their shareholders were fully prepared to back the bid and their forecasts of real annual advertising growth of around 5.4 per cent are backed by reputable forecasting bodies but are not that far adrift of the 4 per cent average of all the bids.

Plymouth-based TSW, the smallest of the losers was the first to take on the ITC in the courts. The company which *bid* £16.117m a year, compared with the £7.815m from the winning Westcountry Television, made a small piece of UK television history by extracting from the ITC the reasons why it was turned down. During an appeal against refusal of leave to go to judicial review of the ITC decision, Lord Donaldson, Master of the Rolls, persuaded the ITC that it would be wise to make available the "secret" staff assessment of the TSW *bid.*

Richard Dunn of Thames: plans to sell programmes

Comments that seem strange were revealed. The document suggested that Barclays might not be prepared to lend the full £10m promised because of the size of the bid. Neither the bank nor TSW was contacted, it is believed, to see whether this suggestion was true.

The full judicial review is expected to be heard in January.

TVS, which bid £59.758m and lost to the £36.5m bid made by Meridian, has also decided to seek a judicial review and other applicants which passed the programme quality test but were failed on their business plan such as TVNi, the unsuccessful applicant for the Ulster franchise, could also follow.

In the case of TSW and TVS, there will be little left if the original ITC verdicts are not overturned. *TSW is a small* regional company with no tradition of making programmes for the national network while TVS has a bleak future because of debts remaining from what turned out to be the disastrous $325m purchase of MTM, the US independent production company.

In the case of either Thames or TV-am, there seems to be little chance of getting a judicial review. Both companies seem reconciled to their fate and are making plans on that basis.

There have been talks about the future attended by the four losers at which all options have been considered including jointly launching a satellite channel, perhaps combined with a bid for the Channel 5 licence. Such grandiose plans seem unlikely to develop beyond "what-if" discussions.

Companies such as Thames are much more likely to be in the business of maximising profits rather than devoting resources to uncertain new ventures.

Mr Richard Dunn, chief executive of Thames, has committed himself to making Thames the leading independent production company in the UK, operating from its Teddington studios. As a first step, the company will be able to sell its well-known programmes to Britain's broadcasters including ITV, BBC and British Sky Broadcasting.

The *likelihood* is that Thames will break up its present programmes into packages, each led by a ratings winner, to try to get a wide range of long-term production deals. It is at least theoretically possible that after a period of adjustment Thames could earn earn higher margins as an independent producer than it did as a broadcaster operating within a highly regulated system.

Thames also plans to build on its base as an international distributor. The assets include a library of some 10,000 hours of television.

Mr Bruce Gyngell, chairman of TV-am, has much less room for manoeuvre. By its nature, much of the station's output is *news and ephemeral items.*

The TV-am chairman has already given a glimpse of a strategy aimed at cutting costs and maximising revenues in the remainder of the franchise period. For the last year of the franchise, TV-am will take its news service from BSkyB and closer links between the two organisations could yet be forged.

Even among the winners, there are difficult times ahead for some companies such as HTV and Yorkshire Television which decided they had to bid high to defeat rivals who did get over the quality threshold.

The celebrations at HTV, which bid £20.5m, and Yorkshire, which bid £37.7m, must have been a little muted. Indeed, HTV has already announced redundancies since regaining its franchise.

Raymond Snoddy

ITV'S CENTRAL SCHEDULER

An agent for change

THE COMPETITIVE tenders for new franchises were by far the most radical change to the UK commercial television sys*tem introduced by the govern*ment. Though less dramatic, the decision to have a central scheduler to dictate, at least in theory, what programmes should make up the ITV network could also be a significant agent for change, writes Raymond Snoddy.

*Not only will such a schedu*ler have considerable influence on what viewers actually see and the success of ITV as a network. The central scheduler will also have a considerable influence on the relations between the 16 ITV companies.

There has been dissatisfaction with the existing system for many years, with allegations that the large companies simply used their muscle to make sure they dominated the schedules.

The Big Five production companies – Thames Television, London Weekend, Central, Granada and Yorkshire Television – together in effect decided most of what went into the national network under a system of guarantees. The *smaller* companies got a few crumbs from the table but in the main took the national schedule *from* the centre and concentrated on making programmes for their own region.

It looked like and often probably did amount to a cartel, where power and influence tended to flow from the proportion of advertising revenue each managing director could command.

In the past few years, there had been attempts to open up the system. The proportion of programmes covered by guarantees was reduced and a pool of broadcasting time – the "flexipool" was available for *which all companies could* tral scheduler with the power to commission from a £450m programme-making budget should change the nature of *the system. The ITV compa*nies have until the end of January to come up with a workable system to put to the Independent Television Commission which is totally committed to ending "the smoke-filled room" method of commissioning television pro*grammes. Even if the ITC was* lukewarm on the issue, the Office of Fair Trading has been given the legal responsibility by the government of ensuring that the networking arrangements are fair to all involved.

The *move to an independent* central scheduler seems to have been part of a compromise between the government and broadcasting regulators. Ministers deeply suspicious of the large ITV companies had initially argued that there was no real necessity for an ITV national network at all and that the companies should be able to show what they liked within the rules on programming. Under this plan several "networks" might have developed, including one for the north of England.

The government was persuaded of the folly of such an *extreme laissez-faire position,* which would have increased costs, duplicated efforts and probably led at some future date to the painful re-creation of a new network.

In return for accepting the continuation of a national network, the government insisted that the networking arrangements should be seen to be manifestly fair.

The scheme envisaged at the moment would involve a central scheduler with a unit of about 50 people, an organisation that would probably cost *around £5m a year* for the business success of ITV in the first difficult years of the new franchises which start at the beginning of 1993.

The two most obvious people for the job, Mr Michael Grade, chief executive of Channel 4, and Mr Greg Dyke, managing director of London Weekend Television, are both in effect ruled out by the "golden handcuffs" that hold them to their present posts.

The shortlist for one of ITV's top jobs will almost certainly include: Mr Charles Denton, *former director of* programmes at Central and chief executive of Zenith, the independent production company, Mr John Fairlie, director of programmes at Yorkshire, and his equivalents at Granada and Central, Mr Steve Morrison and Mr Andy Allen. Mr David Elstein, director of programmes at Thames, may be a serious contender if interested.

At the moment, Mr Denton seems to be the most fancied candidate because of his experience of ITV and the independent production business.

The lucky winner will need enormous diplomatic skills to persuade all 16 companies that the costly decisions taken are in the best interests of the ITV system.

Yet choosing the right *per*son could be the easy bit compared with deciding what the job and its powers should actually be.

The ideal paradigm is easy to state but much less easy to deliver. Obviously, the central scheduler should be free to take the best ideas from wherever they come from and put together the best schedule possible. If this means that one or more of the big ITV companies lose out as programme makers, then they should at least gain as sellers of advertising time from having a highly is the theory.

The ITV companies which will have to put up the money for the central scheduler's *budget appear to have* no intention of surrendering complete sovereignty over the network.

What happens if a totally independent central scheduler commissions programmes that bomb in the ratings or at the least do not play well in a particular area of the country?

And, anyway, the companies themselves are now the legal publishers of the programmes rather than the ITC, which will not have day-to-day regulatory responsibility as in the past. *How can the companies* exercise their editorial responsibilities, they ask, if all power has gone to a central scheduler?

At the very least, the ITV companies argue, they will have to have some input on policy issues.

The relationship between the ITV companies and independent producers is another delicate area. The independents fear a new carve-up and want to have the right of direct access to the central scheduler with their programme proposals.

The ITV companies would *prefer access* to be through them partly, they say, to prevent the central scheduler being swamped by hundreds of programme proposals from independents. It is almost certainly also a matter of maintaining control.

Under a likely compromise the ITV companies will get their policy committee but it would be kept at arm's length from the central scheduler. And the independent producers will be encouraged to go through ITV companies in the first instance but with a right to go direct to the centre if

Raymond Snoddy looks forward to Channel 5

Near-national franchise with snags

ON THE face of it, the planned new Channel 5 does not look like a new licence to print money. The costs of being able to transmit even the first programme are probably higher than any other UK service launched outside the realms of satellite.

Potential applicants for the channel that has been carved out of the remnants of existing unused frequencies have two pressing financial responsibilities. First, they must fund the transmitter system to broadcast the channel and then, they must pay for retuning what could turn out to be a high proportion of the video recorders in the UK.

The frequencies being used to carry the new television venture – channels 35 and 37 – are already used by many video recorders. Those who want to receive the channel will not only have to retune their videos but the channel will cause interference to video owners who do not wish to receive Channel 5.

The government has made the operators of Channel 5 responsible for the necessary retuning, however expensive it turns out to be.

The cost of setting up transmitters and retuning videos is unlikely to be less than £50m.

Because of the dangers of causing interference with neighbouring countries some parts of the UK, particularly parts of the south coast of England, will not be able to receive the channel directly.

Overall, Channel 5 is expected to be able to reach 74 per cent of the UK population. To make matters more complicated, in many parts of the country a new television aerial will be needed to pick up a clear signal.

It is also clear that the winner of this near-national franchise will have considerable limits placed on the programme service it can offer. A simple service of non-stop entertainment is not an option under the 1990 Broadcasting Act which treats Channel 5 in a rather similar way to the ITV franchises.

The Act stipulates that the Channel 5 service must include national and international news, current affairs of high quality, and children's and religious programmes. Because the service also has to appeal to a wide range of tastes and interests, the draft invitation to apply lists six further programme categories in addition to the four mandatory strands. Although not compulsory, a majority of the six has to be included in the channel's output.

The Independent Television Commission has however decided to take a graduated approach to the venture because of the obvious financial uncertainties involved.

The winner will be expected to be on the air no later than December 31 1994 but will have five years to build up to full coverage. At the outset "no less than 40 per cent" of coverage will be the minimum test.

Initial minimum requirements will be set for the various programme categories and will not be increased until after five years of broadcasting.

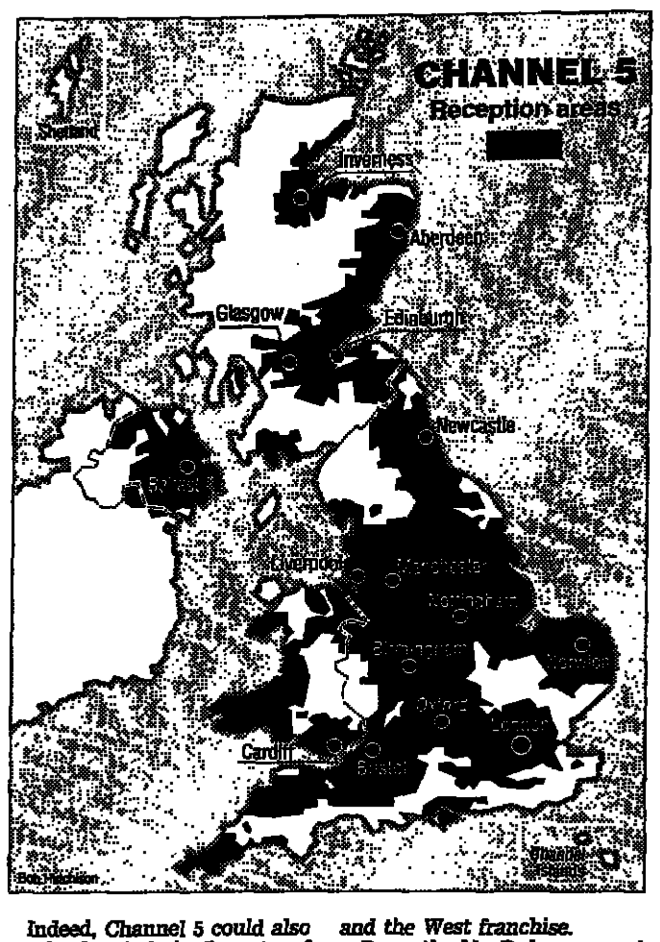
To complete the competitive environment for the channel, the third Astra satellite is due to be launched in February 1993, bringing the total of channels that can be received on a single Astra dish to 48, although that is likely to include channels covering all the main European language groups.

Despite all such difficulties, a tense contest will almost certainly get under way when the ITC calls for applications in January.

There is no shortage of people who want to become broadcasters. But much more importantly, until radically different digital compression technology becomes practical, Channel 5 remains the last opportunity to run a near-national commercial television channel in the UK.

A tense contest will get under way when applications are sought in January

Even from the outset, it should be able to reach more people than the largest individual ITV station and will certainly be available potentially to an even larger audience through cable and satellite.



Indeed, Channel 5 could also reach the "missing" parts of the country and tap into what should be as many as 5m homes by the beginning of 1995 with the use of satellite as well as orthodox transmitters.

Just like ITV, Channel 5 will be awarded by competitive tender and will go to the highest bidder from those who have passed the initial quality threshold, unless there are "exceptional circumstances".

The players will definitely include Mr Chris Rowley's Five TV, a consortium which plans to use the extensive transmitter network to provide more local City-based television to the UK. The transmitter configuration will allow 32 different "opt-outs" from the central service allowing an unprecedented expansion of local television if it can be funded.

Another contender is Channel S, led by Mr Justin Dukes, former managing director of Channel 4 who was outbid in the ITV battle for the Wales and the West franchise.

Recently Mr Dukes argued that by 1995 the UK was likely to have fewer commercially funded terrestrial television channels than Poland.

"An additional channel with imaginative rather than competitive scheduling could enhance the total strength of the terrestrial system in the increasingly competitive environment enabled by technology," Mr Dukes believes.

Others who are looking seriously at putting together consortia to bid for Channel 5 include a number of independent production companies such as Mr Phil Redmond's Mersey Television, Mr Jonathon Ross's Channel X and SelectTV. Mr Peter Clark's Media Ventures International, a venture capital fund is also planning a bid with the possible support of Mr Silvio Berlusconi, the Italian media tycoon.

Channel 5 is also an option for a potential consortium of the four losing ITV companies, particularly Thames Television and TV-am. But this now looks increasingly unlikely with Thames clearly more interested in maximising its future earnings rather than committing itself to more than £200m start-up costs for what must be considered a high risk venture.

Mr Robin Foster, head of the media team at National Economic Research Associates (Nera), believes that bidders should be prepared to go back to the drawing board to find the right way forward for Channel 5.

"A conventional model Channel 5, even with low costs, looks a very risky proposition, suggesting an urgent need for bidders to come up with unique and innovative ways of programming the channel," Mr Foster has warned.

Nera's own suggested options include a metropolitan-based news and information station, an exclusive local sports station, a specialist interest channel with different themes on different days of the week and even a viewer participation channel with chat and phone-in lines, viewers' home videos and home shopping.

Ms Sue Stoessel, an advertising consultant, warns that Channel 5 will not work if it is merely a secondary channel, showing programmes originally made for other channels.

Viewers, she believes, will want high quality new peak-time programmes if they are going to bother to get a new aerial for a single channel. Subscription would therefore be a real alternative source of funds to pay for such programmes.

Viewers want quality programmes before they buy an aerial for a single channel

Perhaps the only certainty about Channel 5 at this stage is that it is likely to obey what is almost the law of new media ventures – that they have disastrous starts, come close to collapse and then finally make it but only after considerable refinancing and restructuring, which tend to bury the original investors.

TV PROGRAMMES

Price of an auction

MAJOR CHANGES to what we see on screen will inevitably occur in the long run as a result of the new and (as many in the industry and not a few onlookers see it) spiteful and cackhanded franchise auction system.

Ratings will become more important, there will be fewer documentary and current affairs programmes in peak time on ITV, and more popular drama, game shows and comedies.

However, television is in some respects like a Very Large Crude Carrier: if you intend to change course you have to begin adjusting the steering long before you want the manoeuvre to take place.

To bring a major television drama scheme to fruition takes not weeks or months but years, and even in areas where television is expected to make an instant response – news and current affairs or sport – it is necessary nowadays to begin planning years in advance if you want to change either your programme-making system or your scheduling.

Thus it is almost certain that anything startlingly different which we may see on our screens between now and the beginning of 1993 will be something which was going to happen anyway.

Changes have already been occurring in the way viewers spend their time. While ITV has maintained its audience share of 43 or 44 per cent, BBC1 has declined in the past year from a share of around 38 per cent to one of about 32 per cent.

Channel 4 seems well on the way to a permanent 10 per cent share, having pushed up its figures to more than that for 20 weeks, so far, in 1991, a share it achieved in only seven weeks of 1990. And the new BARB figures reveal that viewing of satellite and cable channels is now taking about 4.5 per cent of the audience.

The result in the past few weeks has been a total BBC share of about 42 per cent with commercial terrestrial television taking about 53.5 per cent and Sky and the cables taking the odd 4.5 per cent.

That is not a situation which the BBC will happily accept. In the early years of ITV the audience split went as far as 70:30 against them, whereupon the corporation radically changed its habits, learned to make situation comedies and other big ratings attractions, and clawed its way back to 50: 50.

Today life is not so simple. Not only are there the new technologies, but Channel 4 is to become an independent competitor no longer tied to ITV for its advertising, and we are also to have a Channel 5. Despite all that, the BBC will fight back again, and the swing of the pendulum is, anyway, due to go its way.

It will not be easy since ITV has discovered how to win big ratings with middlebrow middle-of-the-road drama serials ("The Darling Buds Of May", "London's Burning", "The Bill"). But the BBC is well into its scheme for replacing what were once highly successful old faithfuls – "Howard's Way" has gone, now it seems "Wogan", in his present form anyway, is to be ditched – and a swing in the BBC's favour might well be expected, franchise revolution or no.

Thames Television, having lost its licence, will transform itself into Britain's largest independent production company and one programme change which might well occur is the switching of some Thames titles such as "The Bill" and "This Is Your Life" (which, long ago, began its British existence as a BBC series) to the BBC. In the past, ITV companies did not buy and sell programmes from one another but, in effect, swapped them.

Under the new franchise scheme British television will switch to something much more like the American system and there will be nothing to stop Thames, and other production companies, selling to the highest bidder. For the BBC there are several attractions in the "The Bill": it would help swing the early evening ratings their way on three nights a week, and simultaneously put them well on the way to fulfilling their 25 per cent independent programme quota.

For some years after 1993 the British may continue to benefit from the peculiarly benign combination of commercial and public service broadcasting which, for nearly 40 years, has provided a mixture and a standard of programmes admired by many a foreign visitor. Even after that, with the BBC paying special attention to defending its public service redoubt (that being its unique selling point once the rest of the system has gone over to the American pattern) Britain might still have more programmes for minorities, and more high quality programmes, than most countries.

For the moment some programmes on ITV – the news, arts, local material, current affairs, religion – will continue to be screened mandatorily in peak time. There are some in the higher ranks of the ITC who believe they will retain the power, in effect, to mandate programmes even after the new rules come into effect. But this is likely to prove one of the earliest points of contention between the commission and the licence holders since the broadcasters are already being advised by their lawyers that this is not so.

Whatever the outcome of that, it is hard to see how, in the medium and longer term, British commercial television can be anything but more ratings-conscious and thus more populist, more narrowly focused, and less of a rich tapestry than before.

In the shorter term ITV's two current affairs series in peak time, "This Week" and "World In Action", will probably be reduced to one, and in the longer term to none. Serious factual programmes such as "First Tuesday", "The City Programme", and "The South Bank Show", currently scheduled at the margins of peak time, are likely to be pushed into the late night or daytime wilderness, assuming they continue to be a profitable proposition at all.

The days when ITV brought to the small screen such high quality successes as "Brideshead Revisited", "The Naked Civil Servant" and "Jewel In The Crown" already have about them the glow of a golden age. Now, thanks to the demented franchise auction scheme, it looks highly unlikely that it will ever be possible to revive them.

Christopher Dunkley

The rise of the independent producer

Balance of power shifts from the big studios

IN 1986, when the Peacock Committee into the financing of the BBC recommended that within the next 10 years independent producers should have access to at least 40 per cent of television output, the notion was widely dismissed as crazy.

It was too much even for the deregulatory zeal of Mrs Margaret Thatcher's Conservative Government. The percentage was toned down although the time scale was also telescoped. Under the Broadcasting Act of 1990 independent producers must have access to at least 25 per cent of time on the UK's national television channels with some exclusions, mainly news and news magazines.

The provision involved perhaps the most radical change of all to the British broadcasting system. For the first time a market in programmes was developing and channel controllers had the choice of having programmes made by staff in-house or commissioning them from an outside supplier.

The growing independent production market also made it possible for the first time in the UK to starting thinking about a new species of broadcaster – the publisher/broadcaster similar to the Channel 4 model. Typically the publisher/broadcaster has a small central staff of commissioning editors and causes programmes to be made rather than is directly responsible for production.

The outcome of the competitive tendering process is that two large publisher/broadcasters, Carlton Television in London and Meridian which replaces TVS Entertainment, have arrived at the heart of the ITV network.

As a result, it is likely that things will never be the same again. A shift in the balance of power has occurred, or at the very least a shift in the direction from where some of the best ideas flow. It has become a truism that many of the most original and creative ideas in areas such as comedy are coming from relatively small independent producers.

For instance, Birds of a Feather made by the SelectTV group of companies has been pulling in audiences of more than 14m for BBC 1 and the programme is second in the BBC ratings only to Casualty when soaps like Eastenders and Neighbours are excluded. SelectTV, which has a 15 per cent stake in Meridian, plans to provide the company's entire comedy output supplied to the network.

On Channel 4 "Drop The Dead Donkey", made by Hat Trick Productions, is one of the freshest situation comedies on British television.

It is simply no longer true that the brightest talents are all locked up as members of staff in the major studio-based broadcasters.

Already, independent productions have reached 20 per cent of output on ITV, excluding news and news magazines, during the "voluntary" period before the power of the statute takes over.

It is no longer true that the brightest talents are locked up

New independent programmes on ITV screens increased to 1,348 hours with a value of £108m for the year ending in June 1991 compared with 1,116 hours worth £87m a year earlier.

But some senior ITV executives believe that 25 per cent could very much turn out to be a minimum figure and that the balance of production could increasingly tilt towards independent producers.

Ironically, the arrival of Carlton and Meridian and their commitment to independents reduce the pressures on the other ITV companies to support independents. On present figures, the two newcomers could account for 27 per cent of network production, allowing those who want to continue to support integrated studio-based production to do so.

But Mr Steve Morrison, director of programmes at Granada Television, believes that in addition to the 27 per cent, the rest of the ITV companies will want to continue commissioning programmes from independents at the present rate, bringing the total to 45 per cent.

"That's 20 per cent more than the required minimum. If we go on commissioning programmes from Thames and TVS, now both independent producers – say another 10 per cent – then over half the productions on ITV could be independent by 1993," says Mr Morrison.

All the signs are that the BBC will also be at least able to meet the 25 per cent quota by 1993.

Companies such as Carlton Television believe that the independent production model and the choice of ideas and flexibility it gives will turn out to the dominant one in UK television and beyond in the 1990s.

Mr Morrison says there is an urgent need to strengthen the institutions to back up a likely production sector in the UK. There are hundreds of small independent production companies often living from hand to mouth and totally dependent on where the next commission is coming from.

Over the next decade a small number of dominant independents is likely to emerge which will be responsible for a large slice of the top programmes.

More consistent methods of funding programmes will also be required. There is a real fear that the main UK broadcasters will for different reasons be short of cash. Not only will there be increased competition but ITV will have to absorb the cost of the tenders and the increased slice of money going to the government. At the same time, the BBC licence fee is likely to come under continuing pressure.

As a result, executives like Mr Morrison believe deficit financing of programmes, as happens routinely in the US, may become more common. Under deficit-financing, the money the broadcaster pays for the right to transmit the programme may fall considerably short of the total cost. The difference has to be funded in advance in the hope that it can be earned back later from other markets.

Several television independents have been pushing plans for a new form of British broadcasting animal rather like an American studio, though without the physical premises. These studios would be essentially rights brokers, providing money and support for programmes to be made and then later helping with the international exploitation.

One such investment group, Team (Television Enterprise and Asset Management) is already operating and providing operating capital through the unlisted UK interests of Robert Fleming and Rockefeller. Tiger Television, an entertainment and documentary producer recently joined Team.

Independent producer Mr Jeremy Fox has also been trying to raise money to set up as the rights brokers in the UK.

Mr Morrison believes that UK programme production needs "in order to remain great, strong stable production entities, namely studios, including broadcasters, to maintain the level and quality of productions we have."

He adds, however, that broadcasters will have to be allowed to participate in the growth of independent production – at the moment the maximum stake is 15 per cent – or they will lose interest in it and take their profits only from advertising revenue.

Raymond Snoddy

COMMODITIES AND AGRICULTURE

EC fisheries ministers agree conservation plan

By David Gardner in Brussels

EUROPEAN COMMUNITY fisheries ministers yesterday agreed – at their fifth attempt – to conservation measures that should begin to allow disastrously depleted fish stocks to recover and offer the *community's 300,000* fishermen a better future than the dismal prospects they now face.

A controversial European *Commission plan, to oblige* vessels in those areas of the North Sea and West of Scotland now being over-fished to *remain in port for 200 days* a year, was refined into a compromise with swift and unanimous equanimity.

Boats will instead have to tie up for 135 days between Feb 1 and the end of next year. Alternatively, fishermen can choose the less flexible option used last year of staying in port for eight consecutive days each month. Or they can fish whenever they like within the total allowable catch (TAC) quotas, so long as they use bigger net mesh sizes.

The purpose of bigger mesh sizes is to alow *immature* cod and haddock – the two most threatened species – to escape. This should then allow the *spawning stock biomass* – the number of adult fish needed to produce the eggs for the species to survive – to recover.

The "mortality rate" among 14 of the 35 main Atlantic stocks, including cod and haddock, is now at least four times higher than sustainable.

The Commission has not fixed the exact level of the trade-off between staying in port or fishing with bigger mesh sizes. Last year, Germany, the UK and Denmark were exempted from the eight-day tie-up in exchange for using 110 mm square mesh nets, instead of the 90 mm diamond mesh nets commonly used. This year, getting total exemption from the tie-up is likely to require use of 120 mm mesh sizes, according to Mr David Curry, the UK agriculture and fisheries minister. The option of using 110 mm mesh would get a "significantly reduced" number of obligatory days in port, he said.

Mr Curry said: "We have basically got what the industry wants," adding that the 135-day compromise was "very little other than their normal fishing *season" for English and Scottish* fishermen.

But North Sea TACs will remain low and are likely to get still lower in the short-term. For cod, ministers settled at last year's 100,000 tonnes, and for haddock at *60,000* tonnes, *up from* last year's 50,000 tonnes. These figures compare with 250,000 tonnes for cod and 260,000 tonnes for haddock in *1986*. The UK has suffered badly but not disproportionately, having seen its share of the TAC drop by 44 per cent since 1987.

But Mr Manuel Marin, EC fisheries commissioner, said yesterday that "if fishermen obey the rules, stocks will be replenished." Mr Marin argues that a sustained conservation effort will lead to a quick recovery, but that the measures to achieve it are not yet in place.

Next year he wants further restrictions, more in line with the recommendations of the independent International Council for the Exploration of the Sea in Copenhagen, which had argued for the 200 day tie-up.

He also wants a reform of the common fisheries policy to reduce the capacity of the EC fleet through a decommissioning scheme. The aim is to *make the CFP eligible for aid* from the structural funds – to help backward and industrially declining regions of the community – enabling compensation averaging about £200,000 for each boat scrapped or sold abroad.

Moscow oil traders count their blessings

By John Lloyd in Moscow

AN OIL exchange claiming to be *the largest in the Soviet* Union held its first auction in Moscow yesterday and cleared, its organisers said, some *Rs2bn worth of oil, oil products* and oil production equipment. On the current rate, Rs2bn is about $10m.

The *Hermes* exchange, a network that links the Tyumen oil producing region with Moscow, St Petersburg and the port of Kaliningrad, opened for business in the Palace of Youth, a gaudy Brezhnev-era pile, after a blessing from an orthodox priest given under an illuminated sign wishing the brokers success in their money-making.

The senior managers of the exchange were later received by Alexei the Second, the Patriarch of Moscow and head *of the Orthodox church.* The new exchanges have been generous donors to the Church and few events organised by the new capitalist class are complete without a blessing, or at least a priestly presence.

Hermes, which has already founded three banks and says it has taken bids from foreign companies for seats on its exchange at upwards of $50,000, is bidding to be a "fifth international raw oil exchange centre", with New York, London, Rotterdam and Singapore.

The Russian government has agreed with the Tyumen producers that 30 per cent of its annual output – 90m *tonnes – can be sold freely on* the exchanges, thus allowing exchanges like Hermes to come into existence. However, oil production in the region and elsewhere is falling and as yet no uniform regime exists for foreign investors.

The two major fields for which foreign tenders have been invited – Tengiz in Kazakhstan, and the offshore fields off Sakhalin, in the far east of Russia – have been plagued with disputes between various levels of authorities, to the fury of the western companies bidding for rights.

First fall in food output for 8 years

By Robert Graham in Rome

WORLD FOOD production declined by 1.4 per cent in 1991, the first fall since 1983 according to the annual end of year message from Mr Edouard Saouma, the director general of the Food and Agriculture Organisation of the United Nations.

Cereal production was likely to amount to some 1.89bn tonnes, down 4 per cent, and *wheat output was expected to* fall 7 per cent to 554m tonnes.

He attributed the production falls to a combination of drought, wars and disruption of production of marketing systems. He also referred to reduced plantings in the US.

Mr Saouma warned that this made food supplies fragile in the coming year and he feared growing famine in the horn of Africa and underlined the severity of food shortages in parts of the former Soviet *Union* and eastern Europe.

"As 1991 comes to a close, some 500m people in the world are underfed. No less than 24 nations are experiencing food shortages, some of them facing famine," he said.

In the former Soviet Union the cereal harvest was likely to be down 25 per cent on the bumper crop of 1990. "The state marketing system is disintegrating, and with both producers and consumers hoarding supplies, food is increasingly short in urban areas. Romania and Albania are also hard hit by shortages, while Poland, Hungary and Czechoslovakia have accumulated surpluses they can no longer dispose of through now-defunct Comecon trading arrangements," Mr Saouma *said*.

Finally he cautioned that aid for the Soviet Union and eastern Europe should not come at the expense of *assistance* to developing countries. He singled out as being especially critical the situation in Somalia where some 60 per cent of the population face starvation.

US think-tank warns of downtrend

By Nancy Dunne in Washington

A worldwide food production decline of 86m tonnes in *1991*, the largest one year drop on record, heralds a long-term trend towards diminishing food *supplies*, according to a report by the Worldwatch Institute, a Washington think-tank.

The trend undermines the principle proposition in the stalemate over farm trade reform in the Uruguay Round, where it is assumed that the food surpluses and low prices of recent years will continue. This assumption has farm ministers struggling over formulas to reduce subsidies, which – if the Worldwatch report is correct – may no longer be required to prop up farm income.

Mr Lester Brown, president of Worldwatch, said the European Community may want to *think again about its plans to* reduce planted acreage under a revised Common Agriculture Policy – particularly after it *finishes sending food to the* Soviet republics this winter.

"With each passing year, more evidence suggests that weather fluctuations and the drawdown of excessive grain stocks from the mid-eighties may have obscured the transition from an era where grain output expanded much faster than population to one where the converse is true," he says in the report.

The weather was the chief cause of the 1991 production decline, which has depressed projected 1992 carryover stocks *to 319m tonnes – a 68 day supply*. More significantly, the long-term outlook is threatened by agronomic and environmental trends, including: an acceleration of the shrinkage of productive farmland per *capita*, a "diminishing response" to the use of fertiliser, soil erosion, flooding, air pollution, acid rain and depletion of stratospheric ozone.

Cargill, the international trade house, has also warned of a fall-off in global grain supplies to levels not seen since the food crises in the 1970s. The situation has been masked by government subsidies, Cargill said, which distort price signals and hinder "any realistic supply response."

Since 1984 output has risen *only* 1 per cent a year while population has been growing by 90m annually, says Worldwatch. Global crop land area stopped expanding during the 1980s, and there is little possibility of reversing the trend. Fertiliser usage has begun to fall – in some countries it is less effective and in others, like the Soviet Union, it is less available.

"These trends suggest a future in which food security could replace military security as the principal preoccupation of many national governments," the report says.

"The shortages will be felt most in the world's 40 poorest countries, which cannot afford to participate in a bidding war for food - unless the promises of greater prosperity through world trade liberalisation come to pass.

Coking coal producers agree price cuts

By Gerard McCloskey

FOUR AUSTRALIAN coking coal producers have settled *their 1992* contracts with the Japanese steel mills at US$51.30 a tonne fob Australia, a 50-cent cut. The cut, agreed *by BHP-Utah for its hard coking* coal, appears to have been initiated by a weak marketing stance taken up by two US coking coal *exporters*, Westmoreland and Concol. In addition big exporters in Canada and in Australia were hinting that they were ready to settle, according to reports from Tokyo and Australia.

These settlements, currently confidential, are expected to be announced today in Tokyo, according to this week's International Coal Report Fax Weekly.

The 50-cent cut was followed by reductions of $1 a tonne for poorer coking coals – soft and *semi-soft – which means that* the steam coal prices are likely to fall by at least this level from the present $39.85 a tonne.

Whatever the stance taken by Westmoreland – a company that is becoming something of a scapegoat for recent low price levels agreed with Japanese mills – what all producers faced in Tokyo was the fact that the Japanese were producing less steel. Japanese steel production, which hit 112m tonnes in the last financial year, is expected *to fall to* well below 105m tonnes in 1992-93. Unfortunately for the coking coal producers what *steel is produced* will require less top quality, hard coking coal as more and more mills move to install a new technology to inject cheaper steam coal into their blast furnaces.

These benchmarks could well flow on to all other price levels for Asian steam and coking coal and on to European coking coal settlements. However, some European buyers have been seeking effective cuts of more than $2 a tonne.

Gloom spreads in butter market

Frances Williams on a report stressing the impact of Soviet turmoil

UPHEAVALS IN the rapidly disintegrating Soviet Union have had a big impact on the world dairy market in 1990 and 1991, the General Agreement on Tariffs and Trade says in a report published today. It warns that massive food aid requirements for the region could have major implications for the market in 1992, especially for butter.

A steep drop in Soviet butter consumption, which accounts for a quarter of the world total, has contributed to an overhang of supplies and a rapid *build-up of stocks*, notably in the US and the European Community.

Superimposed on a trend *decline in butter demand* because of shifting consumer preferences towards low-calorie products, the result has *been downward pressure on* prices of butter and anhydrous milk fat. These remained at or just above the minimum export *prices set by Gatt's Dairy Pro*tocol Committees, mainly because world butter production also fell this year, by an *estimated 2 per cent to some* 7.55m tonnes.

The report, the 12th in an annual Gatt series on the world dairy market, notes that world butter exports have declined steadily from 1m tonnes in 1988 to 800,000 tonnes in 1989 and 700,000 tonnes in 1990. Total stocks of butter have jumped 50 per cent in a year, to an estimated 1.08m tonnes at the end of 1991. Of world stocks of 770,000 tonnes in mid-1991, the EC held 450,000 tonnes and the US 290,000 tonnes.

Selling cheap butter to the Soviet Union has been a time-honoured method for both the EC and the US to dispose of surplus stocks. In December 1990 Gatt sanctioned butter *deliveries to the Soviet Union* at below prescribed minimum export prices to help meet the country's urgent food needs. *But only a small fraction* of the 311,000 tonnes of butter contracted for delivery in 1991 has been sent, because of payment problems.

Noting Soviet requests for massive food aid in the coming months, including butter and *infant formula*, Gatt says this has stoked fears of further disruption to the world's commercial butter market.

In the longer term, economic reform in the region – such as price liberalisation – is likely to depress demand for dairy products, especially butter, with major repercussions for international trade. Soviet consumption of butter – an annual 7.5 kg a head in recent years – compares with an EC average of 4.4 kg (with per capita consumption of margarine of 4.7 kg).

Gatt also points out that the newly-independent Baltic states, *Latvia, Lithuania* and Estonia, are traditional dairy product exporters and food previously destined for the Soviet Union could be diverted to western markets to earn much-needed convertible currency.

Gatt's International Dairy Arrangement, which came into force in 1980, aims to help stabilise world dairy markets by setting minimum export prices for key products, *including* milk powder, anhydrous milk fat, butter and certain cheeses. It has 16 members, including *the EC. The US and the former* Soviet Union are not members.

Depressed market prices for butter also adversely affected prices for milk powders in 1990, Gatt reports. But despite rising world stocks of skimmed milk powder, now about 1m tonnes, prices have firmed this year following a weakening of the US dollar and further restraints in milk deliveries, especially in the EC.

Gatt says world milk production in 1991 is expeced to be 2.5 per cent down on the 1990 total of 532m tonnes mainly because of a projected 10 per cent drop in milk output in the *Soviet Union*, the world's largest producer, and a 2 per cent fall in the EC.

The brightest prospects are in the cheese market, where per capita consumption has been rising by a steady 2 per cent a year since the early 1980s.

The World Market for Dairy Products 1991, Twelfth annual Report, available in English, French and Spanish from the Gatt Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21, Switzerland. Price SFr25.

US-Canada timber row ruling due next year

By Robert Gibbens in Montreal

A FINAL *US* ruling on whether Canadian softwood timber exported to the US is subsidised is now expected next summer.

The issue came up in 1982 and again in 1986, when Canada imposed its own 15 per cent *timber export tax to avoid* countervailing duties by the US. The move was part of an agreement with the US.

Since then provincial "stumpage" taxes on cut timber have been raised across Canada, especially in British Columbia, source of most Canadian exports.

This autumn, Canada opted out of the export tax agreement, citing not only higher stumpage *but also a high* Canadian dollar and a much lower share of the US market.

But the US north-west pro*ducer lobby struck back. It* took the issue to the US International Trade Commission, which has just made a preliminary ruling that imports from Canada are injuring the US industry.

The next step is a ruling by the Commerce Department on *whether Canadian subsidies do* exist. A preliminary finding could come in January and the final ruling in summer.

British Columbia accounts for 75 per cent of nearly US3bn worth of timber moving from Canada to the US annually, but the US ruling will apply to all provinces, *including Ontario* and Quebec, the other big exporters. Canada contends that its timber licensing system, *with the companies* responsible for roads and reforestation, is so different from the US's that stumpage rates *cannot be compared.*

WORLD COMMODITIES PRICES

MARKET REPORT

Platinum continued Tuesday's retreat on the London bullion market yesterday after an early news leak that General Motors of the US was planning to close several assembly plants and cut thousands *of jobs*. Such a move would reduce demand for platinum for the manufacture of exhaust catalysts. At midday Nymex *platinum futures were were* sharply down on commission house and fund selling. The London gold market held steady. *Dealers said the traditionally thin* and possibly volatile period before the Christmas holiday was a poor indicator of price trends for the first quarter of the New Year as both professionals and clients were completing budgets. On the LME nickel rallied sharply once three-month metal moved above $7,200 a tonne. Traders largely saw the rise as a technical bounce in an oversold market, adding *that prices are likely to ease* unless there is news of increased demand from the European stainless steel industry. In Chicago *soyabean futures were firmer at* midsession, buoyed by trade talk that flooding in Argentina could force almost a quarter of a million *acres of crops to be replanted.* The market has been easier recently on ideas that South American weather was nearly ideal for soyabeans.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.85-4.95q	-.025
Brent Blend (dated)	*$18.10-8.20*	*-.075*
Brent Blend (Feb)	$18.10-8.20	-.025
W.T.I. (1 pm est)	$19.45-9.50q	-.075
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$197-200	-1
Gas Oil	$176-7	-1
Heavy Fuel Oil	$69-71	
Naphtha	$187-189	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$357.95	+0.65
Silver (per troy oz)♣	388.5c	+3.1
Platinum (per troy oz)	*$345.25*	*-3.4*
Palladium (per troy oz)	$81.75	-0.25
Copper (US Producer)	102.0c	+0.2
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	*14.85r*	
Tin (New York)	255.5c	+1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	106.09p	-4.93*
Sheep (dead weight)†	149.30p	+0.36*
Pigs (live weight)†	92.08p	+2.35*
London daily sugar (raw)	$229.4	-1.2
London daily sugar (white)	$272.0	-1.5
Tate and Lyle export price	£233.0	-1.5
Barley (English feed)	£126.5u	
Maize (US No. 3 yellow)	£147.75	
Wheat (US Dark Northern)	£101.0	
Rubber (Jan)♥	*48.75p*	*+0.25*
Rubber (Feb)♥	49.00p	+0.25
Rubber (KL RSS No 1 Jan)	216.0m	
Coconut oil (Philippines)§	$675.0z	-25.0
Palm Oil (Malaysian)§	$380.0u	-5.4
Copra (Philippines)§	$415	+5.0
Soyabeans (US)	£143	+0.5
Cotton "A" Index	62.60c	+0.1
Wooltops (64s Super)	417p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Feb t-Feb/Mar u-Jan/Mar y-Jan/Feb z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	190.40	192.40	193.00 190.00
May	189.00	190.00	191.00 187.60
Aug	193.00	194.00	191.00
Oct	193.00	194.00	191.00 189.60
Dec	192.00		186.00
White	**Close**	**Previous**	**High/Low**
Mar	272.3	273.0	274.8 272.1
Aug	277.0	277.5	278.0
Oct	258.5	259.9	260.5
Dec	258.5	258.9	259.0
Mar	259.0	259.9	260.5

Turnover: Raw 384 (215)lots of 50 tonnes. White 575 (336)
Paris- White (FFr per tonne): Mar 1498.86, May 1509.98

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Feb	18.10	18.06	18.22 17.92
Mar	18.08	18.01	18.15 17.90
Apr	18.02	17.95	18.10 17.88
May	18.01	17.95	18.06 17.87
Jun	18.00	17.95	18.04 17.87
IPE Index	*18.17*	*18.84*	

Turnover 10600 (18610)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jan	173.75	175.50	173.75 172.00
Feb	175.25	176.25	175.50 173.50
Mar	172.50	173.50	172.75 170.75
Apr	168.00	169.00	169.25 167.50
May	166.00	167.00	168.50 165.60
Jun	166.00	167.50	167.00 166.00
Jul	167.75	169.00	168.75 167.75
Aug	170.00	171.00	170.75 170.00
Sep	171.50		172.75 172.00

Turnover 12564 (16089) lots of 100 tonnes

WOOL

Prices in Australia closed with the market indicator steady, only four cents down from its seasonal peak. There were differences according to type of wool, however, with finer merinos definitely weaker while middle and broader categories were firm or a fraction dearer. Market dullness over the christmas recess seems a safe prediction in these circumstances. There is no certainty yet that the Soviet Union will pay due debts under its roll-over credit facility with Australia, enabling further wool purchases to be made. Stockpile disposal in Australia is well ahead of schedule and trade confidence in chosen policies has built up.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	747	749	750 744
Mar	780	785	790 778
May	806	807	814 803
Jul	830	832	838 828
Sep	854	857	862 851
Dec	884	887	891 880
Mar	*912*	*916*	*916 909*
Sep	958		966 957

Turnover: 6392 (5707) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec.17 966.60 (998.64) 10 day average *for Dec.16 973.72 (969.61)*

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jan	986	1013	1009 985
Mar	988	1005	1005 988
May	996	1002	1000 994
Jul	1010	1009	1010
Sep	1020	1020	1025 1019
Nov	*1035*	*1044*	*1035*

Turnover: 977 (1217) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec.17: Comp. daily 62.73 (62.53) 15 day average 64.15 (64.38)
Sterling close: January £550 . March £ 554

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	116.4	115.5	116.7 115.0
May	136.9	136.5	135.5 135.0

Turnover 145 (300) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	121.50	122.50	

Turnover 0 (15) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Dec	*1533*		1535 1533
Jan	1557	1546	1560 1530
Feb	1560	1563	1555 1550
Apr	1568	1562	1565 1550
Jul	1325	1346	1340 1330
BFI	*1528*	1534	

Turnover 296 (321)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	*High/Low*
Jan	125.00	124.95	125.00 125.00
Mar	128.65	128.60	128.70 128.60
May	132.05	132.00	132.00
Jun	112.00	133.75	112.00
Barley	**Close**	**Previous**	**High/Low**
Jan	118.70		118.80
Mar	122.25	122.30	122.30 122.20
May	124.40		124.40

Turnover: Wheat 133 (170), Barley 368 (25).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	105.0	105.5	105.0
Feb	106.5	106.5	106.5
May	108.0	108.5	108.0

Turnover:16 (35) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	129.85	129.60			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 20,307 lots
Cash	1103-4	1110-11		1104/5		
3 months	1128-8.5	1135-36	1135/1123	1130-30.5	1122-24	128,965 lots
Copper, Grade A (£ per tonne)						Total daily turnover 30,486 lots
Cash	1185-7	1191-92	1189/1182	1188-84		
3 months	1214-15	1216-8.5	1216/1212	1212-13	1215.5-16	100,042 lots
Lead (£ per tonne)						Total daily turnover 33,019 lots
Cash	285.5-6.5	289.5-90.5	287	286.5-7.0		
3 months	298-8.5	301-1.5	300/298	298.5-99	298.5-99	14,829 lots
Nickel ($ per tonne)						Total daily turnover 2,122 lots
Cash	7175-85	7120-25	7142/7140	7141-43		
3 months	7248-50	7185-90	7275/7200	7205-10	7265-70	19,023 lots
Tin ($ per tonne)						Total daily turnover 1,384 lots
Cash	5490-95	5480-90	5488	5488-89		
3 months	5548-50	5540-45	5560/5545	5545-48	5555-60	4,973 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,478 lots
Cash	1148-52	1164-55	1140	1140-41		
3 months	1098-99	1111-12	1107/1093	1093-4	1100-01	41,120 lots

LME Closing £/$ rate:
SPOT: 1.8253 3 months: 1.7981 6 months: 1.7727 9 months: 1.7491

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	357.70-358.20	
Opening	357.00-357.40	
Morning fix	357.50	195.355
Afternoon fix	357.90	195.780
Day's high	357.90-358.20	
Day's low	357.00-357.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.16	6 months	3.81
2 months	4.09	12 months	3.74
3 months	3.91		

Silver fix	p/fine oz	US cts equiv
Spot	212.35	388.50
3 months	217.90	392.55
6 months	223.55	393.90
12 months	234.40	405.55

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	356.00-359.00	195.75-196.25
Maple leaf	369.00-370.00	202.00-202.50
New Sovereign	88.00-89.00	48.25-48.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1000	130	157	3	6
1100	53	84	24	32
1200	13	37	83	81
Copper (Grade A)	**Calls**		**Puts**	
2100	106	117	18	41
2200	46	65	59	86
2300	15	31	125	150
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
500	50	59		6
550	4	27	4	24
600		10	50	57
Cocoa	**Mar**	**May**	**Mar**	**May**
750	50	80	21	24
775	37	84	33	33
800	27	51	46	45
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1850	28	50		
1900		34		
1950		24		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	359.0	357.3	358.9	357.7
Jan	359.6	357.8	0	0
Feb	360.8	359.1	361.3	359.0
Apr	363.1	361.4	363.5	361.3
Jun	365.4	363.7	366.0	363.6
Aug	367.8	366.0	366.5	366.5
Oct	370.0	368.2	0	0
Dec	372.4	370.5	373.0	371.1
Feb	375.0	373.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	341.4	346.3	0	0
Jan	342.9	347.8	348.0	342.5
Apr	*345.9*	*350.4*	*350.0*	*345.0*
Jul	347.9	352.4	351.5	348.0
Oct	353.9	358.4	358.0	354.0
Jan	355.4	359.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	383.0	383.1	383.0	381.0
Jan	383.8	384.0	0	0
Feb	385.3	385.5	0	0
Mar	386.8	387.0	386.5	384.0
May	390.4	390.6	391.5	387.5
Jul	393.7	393.9	394.0	392.0
Sep	397.1	397.2	0	0
Dec	402.4	402.4	401.5	399.5
Jan	404.4	404.4	0	0
Mar	408.2	408.2	407.5	407.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	98.10	98.15	98.20	97.90
Jan	98.10	98.00	98.15	97.70
Feb	98.05	98.00	98.10	98.00
Mar	97.95	97.80	98.10	97.55
Apr	97.85	97.70	0	0
May	97.70	97.45	97.75	97.35
Jun	97.65	97.35	0	0
Jul	97.50	97.20	97.50	97.10
Aug	97.40	97.10	0	0
Sep	97.25	96.95	96.70	96.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	19.48	19.45	19.67	19.42
Feb	19.42	19.41	19.58	19.36
Mar	19.40	19.38	19.52	19.35
Apr	19.39	19.37	19.49	19.35
May	19.40	19.37	19.46	19.36
Jul	19.39	19.37	19.45	19.37
Aug	19.35	19.36	19.40	19.37
Sep	19.38	19.39	19.40	19.38
Oct	19.40	19.42	19.46	19.39

HEATING OIL 42,000 US galls, cents/US galls

	Latest	*Previous*	*High/Low*	
Jan	5500	5583	5595	5490
Feb	5600	5687	5700	5600
Mar	5575	5626	5630	5565
Apr	5405	5423	5440	5400
Aug	5235	5215	5255	5225
Sep	5375	5335	5375	5375

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1305	1313	1321	1301
May	1343	1350	1356	1339
Jul	1371	1377	1380	1371
Sep	1400	1405	1414	1400
Dec	1432	1446	1446	1437
Mar	1465	1474	1476	1476
May	1487	1496	0	0
Jul	1509	1518	0	0
Sep	1533	1542	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	75.30	76.40	75.20	76.20
Mar	78.35	79.25	78.95	77.80
May	81.00	81.75	81.25	80.35
Jul	83.25	84.15	83.80	83.00
Sep	85.75	86.80	86.10	85.50
Dec	89.10	90.00	89.90	89.10
Mar	92.40	94.25	92.75	92.00
May	94.50	95.75	95.00	94.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.69	8.74	8.84	8.67
May	8.58	8.64	8.72	8.56
Jul	*8.50*	*8.58*	*8.65*	*8.50*
Oct	8.45	8.53	8.62	8.45
Mar	8.45	8.49	8.45	8.45
May	8.45	8.50	8.46	8.46

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.80	63.25	60.75	59.76
May	61.29	64.80	61.90	61.27
Jul	62.45	64.99	63.01	62.40
Oct	64.45	66.10	64.55	64.35
Dec	64.70	66.58	64.94	64.60
Mar	65.85	0	66.00	66.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	*High/Low*	
Jan	162.55	162.30	164.00	162.50
Mar	164.85	164.25	165.95	164.60
May	165.35	164.50	166.75	164.70
Jul	165.20	164.30	165.75	164.90
Sep	162.20	161.55	0	0
Nov	152.55	150.80	154.30	152.75
Jan	149.95	149.00	149.50	149.00
Mar	149.95	149.00	0	0
May	149.95	149.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec.18	Dec.17	mnth ago	yr ago
1603.7	1603.1	1631.4	1709.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec.17	Dec.16	mnth ago	yr ago
Spot	113.16	113.00	114.01	123.69
Futures	120.40	120.17	121.96	127.01

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	*Previous*	*High/Low*	
Jan	552/6	550/6	555/0	549/2
Mar	558/2	556/6	560/6	555/4
May	564/2	563/2	566/4	561/4
Jul	572/0	570/4	573/6	569/4
Aug	574/6	573/4	576/4	572/0
Sep	576/0	573/4	577/0	573/4
Nov	579/2	578/6	580/6	575/2
Jan	589/0	587/0	589/4	586/6
Mar	599/0	596/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.16	19.17	19.21	19.06
Jan	19.20	19.22	19.29	19.11
Mar	19.53	19.51	19.60	19.41
May	19.82	19.80	19.87	19.70
Jul	20.08	20.06	20.10	19.97
Aug	20.25	20.22	0	0
Sep	20.32	20.33	0	0
Oct	20.37	20.36	0	0
Dec	20.75	20.66	20.75	20.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	173.9	171.6	173.9	171.3
Jan	170.9	169.4	171.3	169.1
Mar	169.7	168.3	170.2	168.2
May	170.1	169.0	170.4	168.9
Jul	171.3	170.7	172.1	170.7
Aug	*172.4*	*171.9*	*173.0*	*171.4*
Sep	172.2	172.0	172.7	171.9
Oct	184.2	185.2	185.5	184.2
Dec	186.7	186.7	187.0	185.7

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	251/2	248/6	251/6	248/2
Mar	256/0	253/2	256/4	252/4
May	262/0	259/0	262/4	258/4
Jul	267/0	264/2	267/2	263/6
Sep	262/0	260/0	262/4	260/2
Dec	258/0	257/4	258/4	256/4
Mar	264/4	264/0	265/0	264/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	403/0	406/6	407/0	401/0
Mar	389/2	388/2	390/0	385/2
May	367/6	366/0	369/0	364/2
Jul	337/4	336/6	339/2	334/4
Sep	343/0	342/0	343/0	339/4
Dec	352/4	355/0	353/0	350/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	70.02	70.55	70.60	70.00
Feb	71.65	71.95	72.05	71.57
Apr	72.77	73.07	73.10	72.70
Jun	69.17	69.35	69.40	69.10
Aug	67.60	67.82	67.77	67.52
Oct	68.00	68.22	68.25	67.95
Dec	68.80	69.20	69.10	68.80

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	40.77	41.32	41.00	40.65
Feb	40.85	41.07	41.00	40.70
Apr	38.82	39.02	38.95	38.65
Jun	44.20	44.65	44.40	44.05
Jul	44.60	44.87	44.75	44.47
Aug	43.57	43.80	43.72	43.50
Oct	40.82	40.82	40.75	40.46
Dec	42.47	42.10	42.60	42.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	37.85	38.60	38.10	37.20
Mar	37.92	38.92	38.30	37.57
May	38.07	38.87	38.50	38.05
Jul	39.42	40.67	39.92	38.86
Aug	38.72	39.67	39.25	38.60

LONDON STOCK EXCHANGE

Share prices continue to give ground

By Terry Byland, UK Stock Market Editor

CONCERN over the outlook for global interest rates and for the domestic economy continued to depress the UK equity market yesterday. The FT-SE dipped to within nine points of the important 2,400 benchmark, with the store and building share sectors again under selling pressure.

Attention was focused around this morning's meeting of the Bundesbank policy council, at which the question of a rise in German interest rates is expected to surface. But London was also cautious yesterday in case the Federal Reserve reduced US rates.

The Footsie fell 23.5 to 2,409.4 at mid-session when the general weakness in UK equities was fuelled by reports that General Motors, the US car manufacturer, may be planning temporarily to close assembly plants and trim the workforce next year. This new hint of the recessionary pressures on the other side of the Atlantic triggered alarm ahead of the opening in New York.

In the event, however, Wall Street showed a loss of only 9 Dow points in UK hours. There was little recovery in London, and the FT-SE Index closed at 2,413.6, a final loss on the day of 19.3.

Account Dealing Dates		
*First Dealings:		
Dec 9	Dec 30	Jan 13
Option Declarations:		
Dec 23	Jan 9	Jan 23
Last Dealings:		
Dec 27	Jan 10	Jan 24
Account Day:		
Jan 6	Jan 20	Feb 3

*New-time dealings may take place from 8.30 am two business days earlier.

Seaq volume was again swollen by large tax-related deals, with the early morning tape showing substantial repurchases of stocks sold late on Tuesday, and the tax sellers reappearing in late deals yesterday. The day's Seaq total reached 662.4m shares, compared with 569m on Tuesday.

Tax loss trading masked renewed selling by the institutions. Fund managers remained wary of shares seen as particularly vulnerable to the recessionary pressure still believed to be bearing down on some sectors of the domestic economy.

The building and construction sector which, in spite of the severe shakeout suffered this year, has run into a renewed sell-off this week, took a further tumble yesterday. Analysts at leading brokerage houses again downgraded profits estimates for some of Britain's largest construction companies and there were unsupported hints that a bankruptcy filing may be hanging over the industry.

Also running into new sellers were the store and retail groups, as investors appeared to be losing confidence in the prospects for the all-important Christmas season which provides the bulk of the year's profits for the big stores. Food retail stocks were marked down as a leading Japanese-based house joined the list of securities houses taking a bearish view.

News that two leading food supermarket groups will extend their challenge to existing legislation by opening for business on the Sunday after Christmas was regarded by the stock market as an indication of retailing weakness, not strength.

With the international blue chips unsettled by global interest rate uncertainties and Marks & Spencer, Kingfisher and Mowlem leading the list of losses in their respective sectors, there was little optimism in the equity market.

Among the most noteworthy features, Lasmo closed lower ahead of the board's disclosure of victory in the drawn-out takeover battle for control of Ultramar.

Dealers commented that the stock market has become "totally unforgiving," and that share prices are still being marked down savagely at the least hint of misfortune.

Reuters attracts buyers

SHARES in Reuters Holdings rose sharply in a weak market as several institutions bought the stock after one securities house returned from a big presentational tour yesterday.

BZW, which recently published an in-depth analysis of the company's prospects, visited 30 UK and Scottish institutions to discuss Reuters. Mr Paul Norris of BZW, said: "It is the least well understood stock in the Footsie and we have been discussing its strong earnings potential based on cost reduction and the launch, expected early next year, of its new automatic trading system, Dealing 2000-2."

The international news and information organisation also gained from a strong Tuesday close in New York where they are traded as American Depositary Receipts. Sentiment was further helped by a belief that one tabloid newspaper was naming Reuters as its "stock of the year" for 1992. The shares were 28p higher in the morning and were being bought on both sides of the Atlantic. However, the impact of a weak Wall Street whittled away the rise and the shares closed 15 up at 960p on turnover of 1.7m.

Steel trades

British Steel was the most heavily traded stock yesterday with large blocks of shares dealt a minute before the official close of trading in what appeared to be a series of tax-related deals. Final recorded turnover of 50m shares was made up principally of 35.9m shares dealt at 53p and one block of 6.5m shares traded at 60p. The shares closed 1¼ off at 64½p. Many other tax-related trades, including Rolls-Royce, passed across the Seaq ticker late yesterday.

Mowlem hit

Construction group John Mowlem, owner of London City Airport, suffered a heavy blow after it was announced that the British Midland, the UK's second largest scheduled airline, said it would cancel its service to Brussels from the airport.

Mowlem's shares had already been hammered in recent sessions as a result of a severe profits downgrading by its stockbroker Hoare Govett. They plummeted a further 30 at one stage yesterday as some dealers misinterpreted the British Midland story and sold the shares on a rumour that Midland Bank had withdrawn its financing for the airport. They later recovered slightly to close 23 off at 134p.

BOC firmer

Positive comment on BOC prompted institutional buying and the shares bucked the market to gain 12 to 602p.

There was a belief that County Nat West had placed the company on its buy list. Mr Mike Lewis of County said the house had resisted temptations to move its stance from a short term hold and long term outperformer but it had been recommending the shares to clients.

"It is our favourite stock in the sector especially if the economy is facing a further downturn. It is a classic defensive stock with high quality management and cash flow."

News of Lasmo's victory in its battle to gain control of Ultramar came after the market closed but the news was reflected in after-market prices of 280p for Ultramar and 245p for Lasmo.

Earlier, Ultramar closed a penny off at 265p and Lasmo had fallen 10 to 245p on 1.7m, with the latter's decline indicating the likely success of the bid.

Mr John Toalster, oil analyst at Strauss Turnbull, described the outcome of the battle as: "A three-way thumbs down; for Ultramar, which lost its independence; for Lasmo which has come under fire throughout the bid; and for the City which let Ultramar go too cheaply."

Small investors were said to have been keen sellers of BT "new" after receiving their allotment letters. Turnover in the "new", disappointingly low after the first flush of excitement that followed the flotation a week last Monday, ticked up strongly and reached 41m yesterday.

The "new" shares, despite continuing "stabilisation" by SG Warburg Securities, the global co-ordinator of the share sale, slipped back to 121¼p, the lowest level since the stock's debut. BT "old" lost 1½ to 323p with turnover reaching 7.8m.

Composite insurers came under renewed selling pressure. Guardian Royal Exchange retreated to a five-year low of of 108p before steadying to close 3 off at 112p, still depressed by the recent bearish broker's circular forecasting that the shares will drop to the 100p-mark.

Sun Alliance gave up 6 to 280p. Insurance specialists believe that it is deferring its expected statement on mortgage indemnity losses until after the Government announcement of a mortgage rescue scheme. Sun is said to be closely involved in the talks between mortgage lenders and the government.

Food retailing shares suffered from several waves of selling pressure, mostly prompted by bearish views on the sector given by analysts at Nomura's morning meeting.

Mr Ian Macdougall, at Nomura, said he had marginally cut his current year profits estimates for Tesco and Sainsbury, adding that trading "remains tough," and sales volumes had not picked up as expected. He said there was evidence of trading down by consumers and the outlook for the sector remained gloomy.

Mr Macdougall clipped his current-year earnings forecast for Sainsbury by £5m to £610m and his estimate for Tesco by the same amount to £545m. Sainsbury shares ran back 9 to 352p on 1.6m while Tesco dipped 7 to 213p on 4m. Argyll retreated 10 to 281p on 3.6m.

Internationally traded stocks were soft as a weak Wall Street and general economic gloom in the US prompted profit-taking. SmithKline Beecham fell 18 to 822p, BAT dropped 14 to 590p and Wellcome lost 5 to 930p.

News International, the UK arm of Mr Rupert Murdoch's News Corp, lost 10 to 254p. Wolverhampton & Dudley Breweries firmed 3 to 564p after announcing that it had acquired Camerons Brewery and the associated brands and pubs from Brent Walker (off 1¼ to 15¼p).

Other companies in the sector were strong following a spate of good results. Grand Metropolitan gained 5 to 857p, and Bass rose 3 to 1002. Among the smaller companies pubs group Greenalls, which announced results well above expectations recently, picked up 3 to 378p and Boddingtons improved 5 to 159p.

Press comment that described Glaxo as becoming "an investment monster" because of the unnerving rise and rise of its share price led to nervousness in the market. The shares fell 24 in early trading. However, US investors could not be deterred from their continuing enthusiasm for the ADRs and a lack of selling in the US caused the stock to regain some strength and close 17 off at 812p with 3.8m traded. Glaxo had risen 19 against the market on the previous day.

United Scientific celebrated the sharply increased profits with a 10½ jump to 40p. Chemring, also helped by good figures, raced up 60 to 730p.

Cable & Wireless (C & W) moved up 7 to 580p, still stimulated by hopes that AT & T, the US telecoms group, will take a stake in Mercury, C & W's telecoms subsidiary.

Shares in NFC firmed 3 to 226p after the company reported full-year figures at the top end of market expectations and an increase in the dividend. Profits slipped by 4 per cent to £93.7m. However, the dividend was increased by 10.6 per cent to 6.25p. Mr Mark Laurence at Carr Kitkat & Aitken was among analysts to raise next year's forecast. He said: "I think the range for next year's profits that will be announced at the company's annual meeting is likely to be £100m to £105m, with the £105m figure more likely."

A.B. Ports and Ocean Group were weak after BZW trimmed its current-year profit forecasts. However, the securities house remains a buyer of both stocks and the former recovered to close unchanged at 348p while the

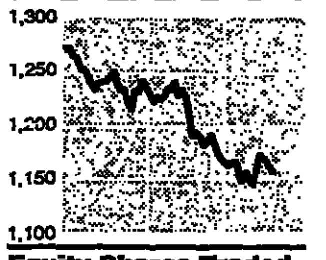
P & O left the shares 5 lighter at 430p. A reported UBS Phillips & Drew downgrading in Hayes weakened the shares by 2½ to 170½p.

selling pressure, mostly prompted by bearish views on the sector given by analysts at Nomura's morning meeting.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

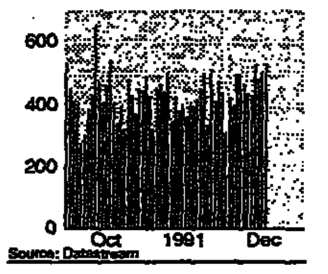
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 22.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (20).
BRITISH FUNDS (3) Fd. 6pc 1993, Tr. 2pc IL '92, Tr. 3pc '92. BREWERS & DISTILLERS (1) Greenalls. CONTRACTING & CONSTRUCTION (1) Ball (AH). ELECTRICALS (1) Chemring. ELECTRONICS (1) Elec. Data Proc., ENGINEERING AEROSPACE (1) FR. ENGINEERING GENERAL (2) Richardson Westgarth, Whessoe. FOOD RETAILING (1) Park Food. HEALTH & HOUSEHOLD (1) Swallowfield. INVESTMENT TRUSTS (3) Gartmore Amer. Sec. Zero Prf., Scottish Natl. Stpd. Prf., Temple Bar 6% Cnv. 2002. MISCELLANEOUS (1) Office & Elect., PACKAGING, PAPER & PRINTING (2) Boxmore, Euromoney. PROPERTY (1) Slough Ests. 6% 2003. TEXTILES (1) Sirdar.
NEW LOWS (88).
AMERICANS (6) Citicorp, IBM, Sun Co., Tenneco, Texas Instrs., Woolworth. BUILDING MATERIALS (4) Hewetson, Do. 7pc Prf., Sharpe & Fisher, Tarmac. CONGLOMERATES (1) Cannon St. Invs., CONTRACTING & CONSTRUCTION (8) AMEC, Birse, Laing (J), Do. A, McLaughlin & Harvey, Mowlem (J), Prowting, Taylor Woodrow, Wimpey (G). ELECTRICALS (1) Oxford Instrs., ELECTRONICS (3) P & P, Pressac, Sema. ENGINEERING GENERAL (6) Dover, Dyson (J & J), GEI, Hadleigh Inds., Ransomes 8.25p Prf., Verson. FOOD MANUFACTURING (1) Grand Central. FOOD RETAILING (2) ASDA, Ashley. INSURANCE COMPOSITE (2) GRE, Royal Insce. INVESTMENT TRUSTS (8) Abtrust New Dawn Srs. B Wrrnts., Cons. Venture 120 Wrrnts., Drayton Blue Chip Tst., Drayton Eng. & Intl. Wrrnts., Electra, Fleming Euro Fledgeling, Gartmore Scotland Uts., Nth. American Gas. MEDIA (3) Lopex, WPP, Do. Wrrnts., METAL & METAL FORMING (3) Brit. Steel, Garton Eng., Sycamore. MISCELLANEOUS (2) Dudley Jenkins, Shanks & McEwan. OIL & GAS (6) Aviva Pet., Blystad, Cairn Energy, Clyde Pet., Comeda Energy, Hardy. OTHER FINANCIAL (3) Japan OTC Wrrnts., Japanese Wrrnt. Fd. Wrrnts., King & Shaxson. OTHER INDUSTRIAL MATERIALS (1) Whitecroft. PACKAGING, PAPER & PRINTING (2) Gibbon Lyons, Wace. PROPERTY (18) Aukett Assoc., BHH, Bucknall, Greycoat, Ossory Ests., Palmerston, Raglan, Scot. Metropolitan, Shaftesbury, Wates City of London. STORES (3) Brown & Jackson, Oliver, Do. Rtd., TEXTILES (3) Alex. Workwear, Cupid, Lister. TRANSPORT (1) P & O Wrrnts. '88-92. MINES (4) Buffels, Free State Devs., Southvaal, Meekatharra, Renison.

FINANCIAL TIMES STOCK INDICES

	Dec 18	Dec 17	Dec 16	Dec 13	Dec 12	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.28	87.22	87.34	87.38	87.05	82.83	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.47	97.48	97.49	97.39	97.12	91.14	97.49 (16/12)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1833.7	1846.2	1855.4	1863.9	1848.5	1707.1	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	145.6	147.5	152.1	152.1	160.3	137.2	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2413.6	2432.9	2440.8	2451.6	2423.3	2178.7	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1101.95	1105.06	1105.57	1106.13	1091.45	•	1138.60 (3/9)	938.62 (16/1)	1198.63 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.01	4.99	4.98	4.96	5.00	5.62				
●Earning Yld %(full)	7.53	7.50	7.50	7.43	7.49	11.74				
●P/E Ratio(Net)(☆)	16.88	16.75	16.75	16.93	16.78	10.28				
SEAQ Bargns 4.45pm	22,133	21,911	21,064	27,924	22,819	23,829				
Equity Turnover(£m)†	-	1012.82	742.39	958.56	1113.54	953.78				
Equity Bargains†	-	20,562	20,886	26,924	22,235	23,840				
Shares Traded (ml)†	-	520.2	509.5	482.9	533.1	467.6				

Basis 100 Govt. Secs 15/10/26, Fixed int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.79.

Ordinary Share Index, Hourly changes — Day's High 1847.6 — Day's Low 1830.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1842.8	1842.3	1846.7	1838.7	1835.7	1834.0	1833.6	1831.5	1834.0

FT-SE 100, Hourly changes — Day's High 2428.8 — Day's Low 2409.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2425.7	2424.6	2427.6	2419.7	2419.7	2416.6	2415.7	2412.0	2413.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1106.39 — Day's Low 1101.48

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1104.80	1105.27	1104.00	1104.15	1104.23	1104.61	1102.22

GILT EDGED ACTIVITY

Indices*	Dec 17	Dec 18
Gilt Edged Bargains	75.7	85.1
5-Day average	85.4	88.2

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	101	312	-2
ASDA Group	27,000	30	-2
Abbey National	2,400	280	-5
Albert Fisher	7,500	69	
Allied-Lyons	807	598	
Amstrad	501	26	+1
Anglian Water	916	339	-7
Argos	458	264	-6
Argyll Group	3,600	281	-10
Arjo Wiggins	1,700	247	-9
Ass. Brit. Foods	200	456	-2
BAA	930	522	+3
BAT Inds.	3,100	590	-14
BET	1,600	105	
BICC	1,000	317	-4
BOC	1,100	602	+12
BPB Inds	397	156	-3
BTR	4,400	375	-1
Bank of Scotland	1,500	113	
Barclays	2,000	364	-4
Bass	878	1002	+3
Beresford Int	2,000	17½	-½
Blue Circle	1,300	211	-1
Booker	385	440	+2
Boots	1,000	438	+1
Bowater	156	652	-10
Brit. Aerospace	13,000	324	-2
British Airways	1,300	215	-2
British Gas	9,700	254	+4
British Land	50	282	-3
BP	7,700	296	-4
British Steel	50,000	64½	-1½
British Telecom	2,800	323	-1½
Br Telecom New	41,000	121¼	-2
Bunzl	691	84	+1
Burmah Castrol	582	487	-8
Burton	10,000	36	-½
Cable & Wire.	3,000	579	+8
Cadbury Schweppes	1,300	423	-2
Calor Group	81	218	-6
Carlton Comms.	430	469	+3
Coats Viyella	1,000	165	-2
Comm Union	135	446	-2
Cookson	2,200	101	-1
Courtaulds	893	468	+2
Dalgety	286	359	+3
De La Rue	95	470	
Dixons	1,400	205	-6
ECC Group	845	482	
Eastern Elect.	590	239	-2
East Midland Elect.	454	254	-4
Enterprise Oil	9,230	463	-8
Eurotunnel Units	794	355	-15
FKI	1,700	50	-1
Ferranti	2,900	8	
Fisons	3,400	332	-8
Forte	636	224	+1
Gen. Accident	390	436	
General Elect.	6,000	196	+2
Glaxo	3,800	812	-17
Glynwed Intl.	109	198	
Granada	745	188	+2
Grand Met.	1,800	857	+5
GUS A	823	1387	+7
GRE	5,300	112	-3
GKN	350	298	-6
Guinness	2,000	537	-1
Hammerson 'A'	3	513	
Hanson	6,300	196½	-1
Hanson Warrants	292	17½	+½
Harrisons Crosfield	281	116	
Hawker Sidd.	6	724	-1
Hillsdown	20,000	170	-3
IMI	389	229	+1
ICI	825	1160	-6
Inchcape	864	392	-3
Kingfisher	2,100	488	-10
Ladbroke	2,100	210	-6
Land Securities	349	462	-2
Laporte	238	611	
Legal & General	1,100	359	-3
Lloyds Abbey	573	351	+6
Lloyds Bank	2,500	375	-3
LASMO	1,500	245	-10
London Elect.	977	249	-7
Lonrho	699	161	-2
Lucas	2,500	113	-2
MB Caradon	10,000	253	-4
MEPC	536	408	-2
Manweb	246	326	-4
Marks & Spencer	5,100	222	-9½
Midland Bank	3,000	208	+2
Midlands Elect.	433	275	-2
NFC	2,800	226	+3
NatWest Bank	2,200	268	+2
National Power	4,600	143	-5
Next	10,000	59½	-½
North West Water	714	340	-3
Northern Elect.	114	287	-7
Northern Foods	127	563	+1
Norweb	283	280	-3
Pearson	258	686	-9
P & O	2,600	430	-5
Pilkington	967	123	-4
PowerGen	12,000	154	-5
Prudential	6,300	223	-4
RHM	5,500	245	+1
RMC	408	507	-4
RTZ	1,100	475	-4
Racal	8,900	49½	+1½
Rank Org	4,100	573	-1
Reckitt & Colman	482	818	-1
Redland	2,100	428	-6
Reed Intl	540	503	
Rentokil	146	182	+4
Reuters	1,700	960	+15
Rolls Royce	18,000	122	+½
Rothmans	236	1011	+1
Ryl Bk Scotland	3,800	154	-3
Royal Insurance	3,800	234	-5
Saatchi	11,000	11¼	+1
Sainsbury	1,600	352	-9
Scottish & New	204	408	-1
Scot. Hydro-Elect.	1,000	108	
Scottish Power	5,600	104	
Sears	1,500	90	-3
Sedgwick	9,100	207	+2
Seeboard	199	271	+1
Severn Trent Water	843	317	-1
Shell Transport	2,600	427	+½
Siebe	63	511	
Slough Ests.	45	228	-1
Smith (W H) A	485	453	-2
Smith & Nephew	141	[illegible]	
SmithKline Beecham	2,730	822	-18
SmithK Beecham Uts	885	[illegible]	[illegible]
Smiths Inds.	[illegible]	[illegible]	[illegible]
Southern Elect.	410	[illegible]	[illegible]
South Wales Elect.	[illegible]	[illegible]	[illegible]
South West Water	313	[illegible]	-4
South West Elect.	344	[illegible]	-9
Southern Water	434	318	
Standard Chart.	544	434	
Storehouse	738	95	
Sun Alliance	1,800	280	-6
T&N	954	110	+2
TI Group	661	338	-14
TSB	674	122	+½
Tarmac	5,300	[illegible]	-10
Tate & Lyle	288	350	-4
Taylor Woodrow	328	111	-2
Tesco	4,000	213	-7
Thames Water	631	[illegible]	-3
Thorn EMI	471	734	-4
Tomkins	328	439	+7
Trafalgar House	765	157	-2
Ultramar	925	265	-1
Unigate	271	[illegible]	-5
Unilever	1,300	948	-1
United Biscuits	944	388	-3
Utd. Newspapers	174	[illegible]	-5
Vodafone	1,700	[illegible]	-5
Warburg (SG)	92	577	-2
Wellcome	151	930	-5
Welsh Water	335	354	-6
Wessex Water	329	[illegible]	
Whitbread 'A'	513	414	-4
Williams Hldgs.	1,250	[illegible]	[illegible]
Willis Corroon	139	249	-2
Wimpey	3,000	114	-8
Yorkshire Elect.	2,300	[illegible]	-6
Yorkshire Water	229	287	-2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TRADING in FT-SE futures remained light yesterday with the session characterised by investors rolling out of the December contract and into March, writes Joel Kibazo.

Sporadic buying, following a cautious opening on the back of weak Tokyo and New York markets, was seen early on in the session. However, profit-taking and the rolling out from December into March began late in the morning and both features marked the rest of the day's trading.

December closed at 2,424 and around 8 points above its estimated fair value premium to cash of about 3. Turnover was 5,199 though the March contract had traded almost 2,000 lots by the official close.

In traded options, dealers said the day's turnover of 24,456 was disappointing in the light of it being stock option expiry day for December. Abbey National, which this week launched plans to assist hard-hit mortgage borrowers, was the busiest stock option. It traded 2,030 lots.

This was followed by British Gas where a big buyer of the calls was reported. It had completed 1,814 contracts by the close. Sears was the third busiest stock option, trading 1,312 contracts with December calls particularly busy. Reuters and Glaxo were also active.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+or -	1991 high	1991 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
12¾pc 1992‡‡		100¼xd	—	101½	100[illegible]	12.72	10.50
10pc 1992		99⅞	—	100[illegible]	97[illegible]	10.01	10.33
2pc IL 1992‡‡		134[illegible]	+1/16	134[illegible]	125[illegible]	2.83	8.08
8pc 1992 ‡‡		99[illegible]	—	99[illegible]	95½	8.06	10.15
10½pc Cv 1992‡‡		108[illegible]	—	108[illegible]	98½	10.49	10.16
3pc 1992		97[illegible]	+1/16	97[illegible]	91[illegible]	3.07	[illegible]
Exch 12¼pc 1992		101[illegible]	[illegible]	102[illegible]	100⅝	12.08	[illegible]
13½pc 1992		102[illegible]	[illegible]	104[illegible]	102[illegible]	13.16	[illegible]
Treas 8¾pc 1993		98[illegible]	[illegible]	98[illegible]	94	8.88	[illegible]
10pc 1993‡‡		100[illegible]	—	100[illegible]	97[illegible]	9.97	[illegible]
12½pc 1993‡‡		103[illegible]xd	[illegible]	104[illegible]	102[illegible]	12.04	[illegible]
Funding 6pc 1993‡‡		95[illegible]	[illegible]	95[illegible]	89[illegible]	6.29	[illegible]
Treas 13¾pc 1993‡‡		106[illegible]xd	—	108[illegible]	105[illegible]	12.89	[illegible]
8½pc 1994		97[illegible]	[illegible]	97[illegible]	92[illegible]	8.70	[illegible]
14½pc 1994‡‡		108	[illegible]	111[illegible]	108[illegible]	13.38	[illegible]
Exch 13½pc 1994		107[illegible]	—	109	105[illegible]	12.55	[illegible]
Treas. 10pc Ln. 1994‡‡		100[illegible]	—	101[illegible]	98[illegible]	9.93	[illegible]
Exch 12¼pc 1994		106[illegible]	—	107[illegible]	103[illegible]	11.78	9.83
Treas 9pc 1994‡‡		98[illegible]	[illegible]	98[illegible]	93[illegible]	9.15	9.65
12pc 1995		105[illegible]	[illegible]	106[illegible]	102[illegible]	11.35	9.80
Exch 3pc Gas 90-95		88½	—	89	82[illegible]	3.39	6.75
10¼pc 1995		101½xd	—	102[illegible]	96[illegible]	10.10	9.75
Treas 12¾pc 1995‡‡		109[illegible]	—	110[illegible]	105[illegible]	11.68	9.80
14pc 1996		113[illegible]xd	—	114[illegible]	109[illegible]	12.38	10.02
9pc 1992-96‡‡		98[illegible]	+1/16	98[illegible]	92[illegible]	9.11	9.33
15¼pc 1996‡‡		118[illegible]	—	119[illegible]	115[illegible]	12.98	9.98
Exch 13¼pc 1996‡‡		111[illegible]	+1/16	112[illegible]	108	11.87	9.92
Conversion 10pc 1996		101[illegible]	+1/16	101[illegible]	95[illegible]	9.89	9.70
Five to Fifteen Years							
Treas 13¼pc 1997‡‡		113xd	—	114[illegible]	108[illegible]	11.78	9.93
Exch 10½pc 1997		103	+1/16	103[illegible]	97[illegible]	10.19	9.73
Treas 8¾pc 1997‡‡		95[illegible]	—	96[illegible]	89[illegible]	9.11	9.65
Exch 15pc 1997		121[illegible]	+⅛	123[illegible]	117	12.33	10.00
9¾pc 1998		100¼xd	—	100[illegible]	93[illegible]	9.73	9.70
Treas 6¾pc 1995-98‡‡		88[illegible]	—	88[illegible]	80[illegible]	7.82	9.15
15½pc '98‡‡		127¾	—	128[illegible]	121[illegible]	12.19	9.88

BRITISH FUNDS - Cont.

	Notes	Price £	+or -	1991 high	1991 low	Yield Int.	Yield Red.
Exch 12pc 1998		110[illegible]	—	111[illegible]	104[illegible]	10.82	9.78
Treas 9½pc 1999‡‡		100xd	+1/16	100[illegible]	92[illegible]	9.50	9.51
Exch 12¼pc 1999		112[illegible]	+1/16	113[illegible]	105[illegible]	10.88	9.78
Treas 10½pc 1999		104[illegible]	+1/16	104[illegible]	97[illegible]	10.07	9.58
Conversion 10¼pc 1999		103[illegible]	+1/16	103[illegible]	95[illegible]	9.93	9.67
9pc 2000‡‡		97[illegible]	—	97[illegible]	89[illegible]	9.25	9.49
Treas 13pc 2000		118xd	+1/16	118[illegible]	110½	11.02	9.85
[illegible]							
Over Fifteen Years							
Treas 11¾pc 2003-07		118xd	+¼	118[illegible]	105[illegible]	10.22	9.56
8½pc 2007 ‡‡		92[illegible]xd	+⅛	93[illegible]	84[illegible]	9.15	9.39
8½pc 2007 A●		[illegible]	[illegible]	[illegible]	[illegible]	9.13	9.54
13½pc '04-08		128[illegible]	[illegible]	129[illegible]	118[illegible]	10.52	9.35
9pc 2008 ‡‡		97[illegible]	[illegible]	98	88[illegible]	9.27	9.36
8pc 2009		88[illegible]	[illegible]	88[illegible]	80	8.69	9.34
Conv 9pc Ln 2011 ‡‡		97[illegible]	+¼	97[illegible]	88[illegible]	9.27	9.35
9pc 2011 A		85[illegible]pd	—	[illegible]	91[illegible]	9.51	9.33
9pc 2011 B		[illegible]	—	[illegible]	[illegible]	9.28	9.33
Treas 5½pc 2008-12‡‡		65[illegible]	[illegible]	66	58[illegible]	8.41	9.30
7¾pc 2012-15‡‡		84[illegible]	[illegible]	85[illegible]	76[illegible]	9.13	9.37
Exch 12pc '13-17		124[illegible]	[illegible]	125[illegible]	113[illegible]	9.65	9.38
Undated							
Consols 4pc		41¼	—	41[illegible]	37[illegible]	9.78	-
War Loan 3½pc‡‡		37[illegible]	—	37[illegible]	33[illegible]	9.44	-
Conv 3½pc '61 Aft		60[illegible]	—	60[illegible]	57[illegible]	5.88	-
Treas 3pc '66 Aft		30[illegible]xd	—	30[illegible]	28[illegible]	9.86	-
Consols 2½pc		25[illegible]	—	25[illegible]	23[illegible]	9.84	-
Treas. 2½pc		25[illegible]	—	25[illegible]	23[illegible]	9.73	-

BRITISH FUNDS - Cont.

Index-Linked	Notes	Price £	+or -	1991 high	1991 low	Yield Int. (1)	Yield Red. (2)
	(b)						
Treas. 2pc '94	(102.9)	122¾	-1/16	123¾	115[illegible]	2.68	3.84
2pc '96	(67.9)	177[illegible]	-1/16	177[illegible]	168[illegible]	3.44	4.04
2½pc '01	(78.3)	143[illegible]	-1/16	145[illegible]	137[illegible]	4.08	4.33
2½pc '03	(78.8)	139[illegible]	-1/16	141[illegible]	133	4.06	4.37
2pc '06	(69.5)	141¼xd	-1/16	143[illegible]	135	4.16	4.38
[illegible]							

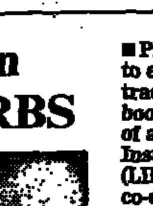
135.6.

OTHER FIXED INTEREST

	Notes	Price £	+or -	1991 high	1991 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		109[illegible]	+1/16	107[illegible]	95[illegible]	10.70	10.27
Asian Dev 10¼pc 2009		101[illegible]	+1/32	102[illegible]	91[illegible]	10.33	10.00
B'ham 11½pc 2012		105¼	+¼	105¼	100½	11.38	10.86
Ireland Cap 8½pc '10		95½	—	97[illegible]	88½	8.90	-
9pc Cap 1996		98[illegible]	—	99	93	9.17	-
13pc '97-02		113[illegible]	—	116	109½	11.35	-
GLC 6¾pc 1990-92		99[illegible]	—	99[illegible]	93[illegible]	6.82	11.40
Hydro Quebec 15pc 2011		132	—	133[illegible]	120[illegible]	15.0	10.97
Int-Am Dev 12½pc 2003		115[illegible]	+1/16	116[illegible]	105[illegible]	11.09	10.12
9¾pc 2015		97[illegible]	+1/32	97[illegible]	86[illegible]	10.37	10.07
Leeds 13½pc 2006		118[illegible]	—	119[illegible]	110½	11.40	10.99
Liverpool 3½pc Irred.		30½	—	31	28	11.67	-
LCC 3pc '20 Aft		27½	—	27½	26	11.11	-
Manchester 11½pc 2007		105½	—	105½	97½	11.27	10.78
Met. Wtr. 3pc 'B'		63½	—	63½	52	5.77	9.84
N'wde Anglia 3⅞pc 2021		188	+¼	188¼	102	-	5.42
4⅝pc IL 2024		105½	—	107[illegible]	104	-	5.19
Sth Rhod 87-92 Assd		98½	—	98½	84½	4.82	-
Utd Mex States 16½pc 2008		124	-1½	125½	101	13.33	12.85

APPOINTMENTS

Mathewson moves at RBS



George Mathewson, the former head of the Scottish Development Agency, is to take over as chief executive of the ROYAL BANK of SCOTLAND Group. Although the promotion was expected the move has come sooner than expected.

Mathewson, aged 51, joined the group in 1987 as director of strategic planning and has been heavily involved in the recent restructuring of the group. He was appointed deputy chief executive in 1990 and will take over from Charles Winter as group chief executive after the agm on January 16. The 58-year-old Winter, who has headed the group since October 1985, will become one of the group's two vice chairmen when Sir Austin Pearce retires.

John Barclays, aged 57, currently managing director of the Royal Bank's corporate and institutional banking division, will take over as deputy chief executive.

Mathewson's appointment comes only a year after George Younger, the former defence secretary, took over as chairman. Younger says that Winter will continue to be involved in all aspects of the Royal Bank's business and will deputise for him.

■ Progress by London insurers to establish an electronic trading network has been boosted by the appointment of a director to the London Insurance Market Network (LIMNET), the body co-ordinating a joint intitiative by Lloyd's and the various London market associations backed by insurance companies.

Michael Burton, 52, is currently group company secretary of CE Heath, the insurance group. As chair of Heath's insurance software subsidiary, Datasure, he has wide experience of electronic systems.

The speed with which Limnet is moving towards the adoption of electronic trading facilities has increased over the past 12 months.

This is particularly true at Lloyd's where a pilot electronic placing scheme – which will allow brokers to place insurance with underwriters without necessarily setting foot in the Lloyd's building – is set to begin in April.

■ Geoffrey Powell, a former director of the Kingfisher retailing group, has been appointed chief executive of the BURTON Group fashion chain stores.

He will face a tough job restoring the fortunes of the retailing formats which have been particularly badly savaged in the recession.

Powell left Kingfisher earlier this year after his post as chairman of the B&Q and Comet chains was deemed to be superfluous once the incumbent managing directors had acquired sufficient experience. In the words of the company at the time Powell "self-obseleted".

Barings doubles up

The doors to the boardroom at BARINGS, the merchant banking and investment group, have finally been prised open. After a decade without change among its executive directors – an achievement virtually unparalleled in the City after recent turbulent events – the Barings' main board has decided to welcome in three new executives, nearly doubling the number to seven.

Foremost among them is Christopher Heath, the bright-eyed former Henderson Crosthwaite stockbroker who has turned Baring Securities into one of the most successful UK-owned securities companies in recent years. Heath's case for a seat at the top table would have been difficult to deny; his division supplied the bulk of Barings' profits in 1989, before the collapse in the Japanese stockmarket pulled it back. His success was marked by his £2.5m earnings in 1986/87, making him the top-paid UK director at the time (his remuneration has since become less visible, since much of it is not paid in the UK).

John Bolsover, another of the newcomers to the board, also has a strong profit record to justify his inclusion. Baring Asset Management, of which he is chief executive, has advanced strongly this year and is now a significant contributor to profits, says Andrew Tuckey, deputy chairman. Bringing both on to the board at once signals how far Barings has moved from its merchant banking core.

The third new director, John Dare, is chairman of Baring Securities and a member of the management board of Baring Brothers, the merchant banking arm.

■ Stephen Diamond (above left) has been named vice president and md of PILLSBURY Brand Development Europe and will be based in the UK. Diamond founded Home Delivery Systems in the US, backed by The Campbell Soup Co, and has also worked for the All-American Gourmet Company and for Procter & Gamble, which included an assignment in the UK. He joined GrandMet in 1990. He is replacing Gerry Murphy, (above right) who is appointed ceo and md of GREENCORE, the Irish food company.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs		30⅝xd	+⅞	34⅝	20⅞	14,286	1.7
Allegheny & W		246	—	18⅝	218p	128.9	6.8
Amdahl		727pxd	—	42½	667p	887.9	0.8
Amer Cyanamid		32	—	17⅞	25⅝	2,994	2.8
Amer Express		18⅞xd	−1/16	24⅝	9⅞	4,733	5.8
Amer T & T		20⅝xd	—	38⅞	15⅝	27,163	3.8
Ameritech		34½	—	28⅞	32½	14,985	5.6
BankAmerica		17⅞xd	−1½	38⅞	12⅞	3,886	3.8
Bankers NY		33¼xd	−1/16	30½	20⅞	2,716	8.2
Bell Atlantic		20½xd	—	31¼	24¼	10,274	5.4
BellSouth		29⅞	—	11¼	25	13,026	5.8
Bethlehem Steel		6½xd	—	1030p	6⅞	495.1	3.5
Bowater		1050p	—	54⅞	1046p	391.5	6.2
CPC		47⅞xd	—	890p	37⅞	3,818	2.3
California Engy		784p	—	86	420p	139.1	—
Campbell Soup		47⅞xd	−⅛	12⅞	28¼	5,310	1.9
Chase Manhattan		8½	−⅛	9⅞	5⅞	1,165	6.1
Chrysler		5⅞xd	−⅛	19⅞	5½	1,648	5.9
Citicorp		5⅞	—	20⅝	5	1,717	—
Colgate-Palm		25⅛xd	+⅞	321p	21⅞	3,680	2.4
Cont'l Bank		470p	—	21⅝	430p	480.9	7.1
Dana		14xd	—	1282p	13⅞	575.5	6.4
Data General		650p	—	25⅞	203p	234.5	—
Dial		22½xd	−⅛	29⅝	12⅞	888.8	3.5
Dun & Brad		25¼	—	46	20⅞	5,043	4.3
Eaton		32½	—	8½	24¼	1,188	3.8
Echlin		6⅞xd	+⅛	28⅝	5½	359.5	6.1
FPL		19xd	—	30⅞	14⅞	3,229	7.1
Fluor		21¾xd	—	23¼	17⅞	1,769	1.0
Ford Motor		19⅝xd	+⅛	46⅞	13	6,450	4.1
Gen Elect		37⅞xd	+⅞	590p	28⅞	32,443	3.1
General Host		391p	—	45¾	270p	—	5.1
		20⅝xd	−⅛		20⅞	5,821	1.3

BUILDING MATERIALS - Cont.

	Notes	Price	+ or -
Polypipe	h	112	—
Ibstock Johnsen	♦	24	−1
RMC	†	687	−4
Raeburn		64xd	—
Redland	H	428	−6
Roskel		68	—
Rugby		164	−3½
Russell (A)		73	—
SWP		8	—
Sandell	‡	31	—
St Gobain FFr		£43⅞	—
Sharpe & Fisher		72	−1
Shaw (A)		67xd	—
Sheffield Insuls		113	—
Spring Ram	†h	132½	−7½
Stanin	H	18	−¼
Steetley	♦	340	−1
Tarmac		187	−10
Tilton		66	—
Travis Perkins		165	—
Tudor	‡	39	—
Ward Group	‡	94	—
Wickes	†g	66	−1
Wilshaw		8½	—
Wolseley		350xd	—
Worcester	†	130	—

BUSINESS SERVICES

CONTRACTING & CONSTRUCTION - Cont.

ENGINEERING - GENERAL - Cont.

HEALTH & HOUSEHOLD - Cont.

INVESTMENT TRUSTS - Cont.

HOTELS & LEISURE

ELECTRICALS

CANADIANS

CHEMICALS

ELECTRICITY

FOOD MANUFACTURING

BANKS

INSURANCE BROKERS

INSURANCE COMPOSITE

ELECTRONICS

INSURANCE LIFE

CONGLOMERATES

INVESTMENT TRUSTS

BREWERS & DISTILLERS

FOOD RETAILING

CONTRACTING & CONSTRUCTION

BUILDING MATERIALS

HEALTH & HOUSEHOLD

ENGINEERING - AEROSPACE

ENGINEERING GENERAL

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+or -	1991 high	low	Yld Gr's	NAV	Dis or Pm(-)
Sphere Inc.		18½	-½	35	18	27.9	22.0	16.0
Zero Div Pf.		85¾	—	90½	59¾	—	—	—
Warrants		3	—	9½	2¾	—	—	—
Strata		148	—	156	104	1.3	178.0	16.3
Stratton		147	—	160	120	1.7	176.1	16.5
TR City of Lon.		110½	-1	121¼	90	6.6	109.4	-1.9
TR Euro Growth	s	87	—	104	78	1.5	92.3	5.8
Ptg Sub.	s	54	—	68	40	2.5	—	—
TR Far East Inc.		78	-1	94	56	7.2	90.6	12.8
Warrants		18	—	23	12	—	—	—
TR High Inc.	H	103	—	115	85	7.8	94.6	-8.9
Sub.	Q	34	—	36	24	6.9	—	—
TR Pacific		67	—	92	49	0.5	79.0	14.6
TR Prop.		26xd	—	37	26	7.4	35.3	25.0
TR Smaller		138	-1	158	88	3.6	144.9	3.4
TR Technology	M	34	-2	92	20	7.2	90.7	60.3
Stepped Pf.		88¾	-½	94½	70½	8.2	—	—
Zero Pf.		155½	—	158½	117½	—	—	—
Temple Bar	†	265	-2	278	210	6.2	272.1	5.2
6pc 2002		£112½	-1	£114½	£102½	5.3	—	—
Temple Em Mkts	as	145	—	178	92	0.6	164.4	-1.0
Warrants		60	—	68	27	—	—	—
1pc Cv 2001		£182½	—	£187½	£90½	0.6	—	—
Thornton Asian		56	—	72	55	1.1	68.2	15.0
Warrants		16	—	18	8	—	—	—
Thornton Pan Euro		27	—	31	25	4.3	29.8	8.8
[illegible]								

Net asset values supplied by County NatWest WoodMackenzie as a guide only.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MISCELLANEOUS - Cont.

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	+or -	1991 High	low	Mkt Cap£m	Yld Gr's
[illegible]							
‡‡Iverna West IE		51	+3	61	30	18.2	—
‡‡Kells Mnls IE		49	+4	48	33	1.84	—
✣Kenmare		5	—	25	4½	4.80	—
‡‡Navan Res. IE	n	18	—	20	15	0.87	—
Northgate Expl C$	s	45¾	—	99	45¾	5.77	—
North West Expl A$		6	—	16	5	2.02	—
Oryx Gold $		106	—	148	82	—	—
‡‡Ovoca Gold IE		8	—	23	8	0.56	—
Plateau		12½	—	44	12	2.34	—
RTZ		476	-4	605	404	4,735	5.5
♥Thorco Res.		4⅞	—	11	3¼	—	—
✣Vizcaya		2½	—	10	2	1.34	—
♥Western & Pac C$		24	—	152	19½	13.2	—
✣Young Grp.		106	—	133	106	9.90	6.5

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment. E Minimum tender price. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1990. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	116.9	116.9	124.0	+0.1	9.27
High Inc Equity	6	122.1	125.4xd	133.3		6.58
Worldwide Bond	6	210.1	210.1xd	224.4	..	6.68
Capital Growth						
American Growth	6	190.4	190.4	203.4	-1.8	1.10
Asian Pacific	6	116.4	116.4	124.4	-0.8	1.26
Assets & Earnings	6	172.2	172.2xd	184.1	-0.3	3.26
Capital Reserve Acc	0	111.4	111.4	111.5	-0.1	6.80
Capital Reserve Inc	0	88.11	88.11	88.18	-0.07	6.80
Commodity & Energy	6	67.07	67.07	71.73	-1.54	1.90
1992 Enterprise	6	62.33	62.33	66.66	+0.06	3.09
Euro Capital Acc	6	82.12	82.12	87.82	+0.30	1.19
Euro Capital Inc	6	78.46	78.46	83.91	+0.29	1.19
General	6	161.6	161.6	172.8	-0.4	2.89
Japan	6	89.43	90.47xd	96.24	-0.99	–
Mastertrust	6	85.86	85.86	91.82	-0.35	2.79
UK Growth Acc	6	163.7	170.9	181.8	-0.1	2.19
UK Growth Dist	6	104.1	108.6xd	115.5	-0.1	2.23
US Emerging Cos	6	72.03	73.30	77.97	+0.11	–
Income & Growth	6	280.0	280.0xd	299.4	-1.1	4.68
Ethical	6	51.70	52.99	56.37	-0.09	2.77
International	6	58.55	59.39	63.18	-0.47	1.39
Dividend & Growth	6	45.69	46.85	49.83	-0.13	6.02
Global Gwth & Sec	6	52.63	52.86	56.23	+0.01	3.09

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos	0	1062.0	1062.0	1115.0	..	–

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	27.63	27.63	29.29	-0.24	2.71
Cash	0	50.19	50.19xd	50.19	+0.01	10.15
European	5¼	63.63	63.63	67.49	+0.14	0.34
European Income	5¼	67.27	67.68xd	71.40	-0.02	1.72
Exempt	1	753.8	753.8	779.3	-0.78	5.24
Extra Income	5¼	35.50	35.50xd	38.78	-0.19	6.38
Far East Emerg Econ	5¼	46.04	46.04	49.45	-0.38	1.29
Fund Inv Tst	5	106.4	108.7	116.0	-0.3	1.47

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	£17.41	17.41xd	18.37	.....	1.40
Progressive Acc	5	£26.59	26.59	28.06	...	1.40
International Inc	5	£18.56	18.56	19.59	+0.13	1.20
International Acc	5	£25.18	25.18	26.58	+0.17	1.20
Can & Foreign Inc	5	214.7	214.7	226.6	...	1.54
Can & Foreign Acc	5	256.6	256.6	270.8	...	1.54
Special Sits Inc	5	196.9	196.9	207.8	...	1.35
Special Sits Acc	5	213.9	213.9	225.8	...	1.35
PEP Inc	5	133.3	136.9	144.5	...	2.00
PEP Acc	5	142.3	146.2	154.3	...	2.00
Growth Inc	5	74.02	74.02	78.12	...	0.52
Growth Acc	5	74.78	74.78	78.92	...	0.52

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dolphin Special Sits	5½	115.0	115.0	122.9	-0.4	3.59
Dolphin Dividend	5½	54.61	55.51	59.36	-0.41	6.48
Dolphin Int Inc & Gth	5½	152.8	152.8	163.4	+0.1	4.80
Dolphin UK & Gen	5½	34.78	34.98	37.41	-0.06	1.89
Dolphin Fund of Funds	5½	45.05	47.05	50.32	-0.07	1.27

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	73.63	73.63	78.75	-1.52	2.71
Do (Accum)	6	78.86	78.86	84.34	-1.63	2.71
Service Cos	6	63.62	63.62	68.05	-0.10	1.98
Do (Accum)	6	67.57	67.57	72.27	-0.10	1.98
Income Growth	6	37.92	37.92xd	40.56	+0.03	5.59
Do (Accum)	6	54.61	54.61	58.40	+0.05	5.59
Higher Yield	6	30.41	30.41	32.52	+0.03	4.90
Do (Accum)	6	38.95	38.95	41.66	+0.03	4.90
American Gth Inc	6	32.47	32.47	34.73	-0.34	1.08
Do (Accum)	6	33.09	33.09	35.39	-0.34	1.08
European Growth	6	23.75	23.75	25.41	..	1.40
Do (Accum)	6	24.42	24.42	26.12	..	1.40
Global Bond Inc	6	22.55	22.63xd	24.20	+0.01	6.03
Do (Accum)	6	26.77	26.85	28.72	+0.02	6.03
Managed P'folio Inc	6	24.42	24.50	26.21	-0.15	–
(Do Accum)	6	24.42	24.50	26.21	-0.15	–

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	75.22	75.22	80.11	-0.40	2.60
Mngd P'folio Acc	6	138.8	138.8	147.8	-0.80	–
UK General	6	113.9	113.9	121.3	+0.30	4.18
Cons & General	6	16.15	16.15xd	17.20	+0.04	11.07
European Inc	6	18.73	18.73	20.16	...	0.56
European Acc	6	19.24	19.24	20.70	-0.01	–
Financial	6	91.88	91.88	97.85	-0.22	4.83
Foundation	6	58.88	60.36	64.28	-0.22	4.37

Morgan Grenfell Invest Fds Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers, 071-826 0826 Enquiries: 071-826 0123

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	161.1	161.1	172.2	-3.0	0.73
European Gth Inc	5¼	185.5	185.5xd	198.0	-0.2	0.00
European Gth Acc	5¼	186.2	186.2xd	198.7	-0.2	0.00
Intl Gwth	5¼	130.2	130.2xd	138.5	-1.5	0.00
UK Equity Inc	5¼	107.5	107.5	115.8	+0.1	4.68
UK Equity Acc	5¼	124.0	124.0	133.5	+0.1	4.68
UK Ind Tracker Inc	5	116.7	116.7	124.7	-0.2	3.95
UK Ind Tracker Acc	5	126.9	126.9	135.6	-0.2	3.95
US Eq Ind Tracker Inc	5	133.2	133.2	142.9	-1.3	3.14
US Eq Ind Tracker Acc	5	138.4	138.4	148.4	-1.4	3.14
Japan Tracker	5	57.26	57.26xd	60.72	-0.74	0.00
Asian Trader	5¼	77.75	77.75	83.81	-0.58	1.88
Managed Inc	5¼	94.16	94.16xd	101.2	-0.7	2.08
Managed Acc	5¼	96.61	96.61xd	103.8	-0.7	2.08
Cash Inc	0	100.20	100.20xd	100.20	+0.02	11.01
Cash Acc	0	112.77	112.77xd	112.77	+0.02	11.01
Europa	5¼	96.44	96.44	103.3	-0.4	0.00
Genesis	5	91.77	91.77	98.78	-0.71	0.00

For Geoffrey Morley see Commercial Union

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Acumen	5	66.92	67.20	71.72	(z)	4.18
Acumen Reserve	3	66.68	66.68	68.67	(z)	9.63
American Income	5	123.40	125.49	130.70	(z)	3.64
Equity Income	5	75.38	75.38xd	80.44	(z)	6.17
European	5	49.83	49.83	53.14	(z)	1.59
Far Eastern	5	102.98	103.00	109.90	(z)	0.90
Smaller Cos	5	45.51	45.51xd	48.56	(z)	2.84
Olympiad	5¼	43.99	43.99	46.94	(z)	1.01
Olympiad Income	5¼	41.22	41.22xd	43.99	(z)	6.26
UK Growth	5	70.50	71.25	76.05	(z)	2.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا من الأصل

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	2	49.97	49.97	50.47	+0.01	10.6
Chemical Primemax	5½	48.21	48.51	51.74	+0.02	9.33
Ethical	5½	46.34	47.36	50.38	-0.12	3.10
European Growth	5½	44.20	44.38	47.34	+0.04	3.3
Income	5½	44.16	44.64	47.62		8.13
Intl Growth	5½	60.42	60.59	64.36	-0.25	3.46
Managed	5½	54.34	54.69	58.33	-0.16	4.84
UK Growth	5½	47.74	48.38	51.60	-0.05	6.11
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	183.9	186.1	193.8	-0.4	3.17
Do Income	3	175.5	177.6	185.0	-0.3	3.17
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5½	34.27	34.27	36.42		2.67
UK Equity Gth Acc	5½	46.40	47.29	50.25	-0.3	2.41
UK Eq High Inc Inc	5½	27.75	28.46	30.24	-0.3	6.69
UK Eq High Inc Acc	5½	31.20	32.00	34.00	-0.4	6.69
UK Equity Gen Acc	5½	43.85	44.57	47.36	-0.2	3.69
UK Equity Gen Inc	5½	34.31	34.88	37.06	-0.2	3.69
UK Larger Cos Acc F	7½	286.6	290.5	315.3	-1.7	4.87
UK Larger Cos Inc F	7½	230.7	234.0	255.9	-1.3	4.87
Gilt & Fxd Int Inc	5½	27.85	27.92	29.53		7.80
O'seas Larg Cos Acc F	7½	201.6	205.6	223.1	-0.1	2.30
Nth American Acc	5½	33.04	33.20	35.28	-0.1	0.73
Far East Acc	5½	38.86	39.84	42.33	-0.1	0.08
European Acc	5½	31.97	33.58	35.68	+0.2	1.73
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	272.3	272.3	291.1	+1.4	0.81
(Accum Units) ♥	5	320.5	320.5	342.6	+1.6	0.81
British	5	783.5	796.5	842.7	-0.9	6.16
(Accum Units)	5	1287.3	1308.6	1384.6	-1.4	6.16
European	5	305.5	305.5	325.4	-0.1	1.56
(Accum Units)	5	331.2	331.2	352.7	-0.1	1.56
Japan	5	107.3	107.3	114.2	-1.0	-
(Accum Units)	5	108.2	108.2	115.1	-1.0	-
New Pacific	5	162.9	162.9	173.7	-0.8	1.99
(Accum Units)	5	167.3	167.3	178.4	-0.8	1.99
PEP Dec 11	5	143.6	143.2	151.4	+2.7	3.71
Mngd Equity	5	118.2	119.5	126.4	-0.4	3.60
Mngd Equity Acc	5	125.4	126.8	134.1	-0.4	3.60
Mngd Cash	5	96.96	96.96	99.86	+0.02	10.32
(Accum Units)	5	117.2	117.2	120.7		10.32
(Majority Stls)	1	100.99	100.99	102.00	+0.02	10.17

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Dec 12	467.53	470.98		3.09
Gross Dec 12	176.61	176.62		11.08
High Yield Dec 12	273.64	275.33		7.98
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	50.28	51.37	-0.15	4.30
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P Folio	1113.0	1201.0		-
Mngd Pens (Acc)	64.1	68.3		-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.9	2480.0		7.00
Inc Gth Prp Jul 31	£1375.0	1460.0		8.90
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Dec 18	£3814.9	3979.2	-4.30	4.11
European Dec 18	£330.3	336	+8.00	2.12
American Dec 18	£323.2	326.6	-2.50	2.49
Japan Dec 18	£468.1	475.8	+5.60	1.38
Pacific Dec 18	£128.8	132.2	-1.40	2.10
W Midlands Sep 30	£136.50	152.50		2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Nov 30	193.55	197.40		7.94
Equity Nov 30	834.90	846.60		4.13
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Dec 17	103.75		-0.1	10.4
(Accum Units)	612.03		-0.6	10.4
NAACIF Dec 17	40.27		+0.2	9.9
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Dec 17	120.5	130.1		2.09
UK Small Co † Dec 17	516.8	567.9		3.52
Fixed Interest † Dec 17	109.2	114.9		8.70
US Small Co Dec 17	154.0	164.7		0.00
Managed Dec 17	104.7	112.9		3.52
Intl Bond Dec 17	118.2	124.7		10.28
Japan Dec 17	69.61	74.46		3.94
European Dec 17	82.75	88.71		1.93

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Insurance Soc.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

For Property Equity & Life see Eurolife Ass Co

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Asc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

For Regency Life Ass see AEGON Life Ass.

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd – Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd – Contd.

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albion Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Finsbury International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

C F S Financial Mngmt

Capital Trust Financial Management Ltd

Cazenove

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Financial Services Ltd

Hambros Financial Services (Pty) Ltd

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macaulay & Steele Invest Mngt Plc

Northern Bings & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Sharp (Albert E.) & Co.

Sheppards Moneybrokers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tettenhall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Barclays Intl Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Royal Bank of Canada

Rothschild Asset Management (CI)

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Credit Suisse Asset Mngmt (Guernsey) Ltd

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

U.S. Treasury Securities Fund Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

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	Bid Price	Offer Price	+ or -	Yield Grs
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.19	17.00	-0.16	1.05
Japan Tech	$57.00	59.85	-0.39	-
Japan Fund	$24.27	25.49	-0.18	0.17
Japan New Gwth Fd	$18.24	19.16	-0.06	-
Malay Sing	$54.84	57.59	-0.61	0.31
Nth American	$22.19	23.30	-0.15	0.58
Octopus Fund	$21.66	22.75	-0.12	0.88
Pacific Fd	$60.88	63.93	-0.17	-
International Bond	$17.37	18.24	+0.05	6.89
Europa Fund	$13.34	14.01	-0.03	-
British Screen Fd	£0.86	0.91		-
Tristar Warrant	$11.05	11.61	-0.02	-
Hong Kong	$51.53	54.12	+0.11	3.09
Mngd Portfolio (Stg)	£3.93	4.24		-
Mngd Portfolio (Dlr)	$10.23	10.80		-
Currency Fd-Sterling	£39.79			-
Currency Fd-US Dollar	$15.51			-
Curr Fd-Deutschemark	DM41.07		+0.02	-
Curr Fd-Managed $	$46.04	48.34	+0.11	-
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Svc Series*	$1.00			4.30
Investment Series*	$1.00			4.20

*Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM 0624 661551						
ADI Managed(z)	5	[illegible]	0.5762	0.6136	[illegible]	1.34
ADI Mngd Currency(z)	5	[illegible]	0.4123	0.4346	[illegible]	5.27
ADI W'wide Eq(z)	5	[illegible]	0.6473	0.6895	[illegible]	1.12
ADI Nth Amer Eq(z)	5	[illegible]	0.7908	0.8422	[illegible]	0.01
ADI Far East (z)	5	1.077	1.077	1.147	[illegible]	1.16
ADI Gilt & Income(z)	5	[illegible]	0.2568	0.2707		8.42
ADI UK Cap Gth (z)	5	[illegible]	0.2186	0.2328	[illegible]	3.48
ADI Europe Fd (z)	5	[illegible]	1.058	1.124	[illegible]	1.53

For conversion Prices of Shares Phone. 0624 662860

Asset Global Funds Ltd (1200)

Victory Hse, Prospect Hill, Douglas, IoM 0624 620097

French Equity	5	[illegible]	129.46	138.8	+0.3
UK Gilt	5	10.36	10.36	10.92	
Intl Equity	5	12.712	12.712	13.50	-0.1
US Bond	5	9.97	9.97	10.51	+0.01

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Trust Funds—Contd.						
UK Equity	5	139.53	139.53	150.57	-0.18	0.92
International Equity	5	110.73	110.73	117.74	-0.19	0.00
Far Eastern	5	85.80	85.80	92.94	-0.20	0.00
European	5	77.13	77.13	81.57	-0.06	0.00
Pan American	5	149.66	149.66	158.66	-2.79	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	99.18	99.18	102.48	-0.08	10.05
Monthly Share	3	97.01	97.01	100.23	-0.02	10.26

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Grs
Barclays Intl Funds				
Currency Funds				
Sterling	£21.53			9.5
US Dollar	$31.56			3.5
Deutschemark	DM55.71			8.0
Yen	Y4,069			5.1
Managed Multicurrency	£13.08	13.52		-
Managed Multicurrency	$25.35	26.23		-
Bond Funds				
Sterling Bond	£0.411	0.427		10.6
US Government Income	$99.60	103.34		6.7
Asian Selection Funds				
Hong Kong	$13.112	13.802	(z)	3.0
Indonesia	$7.735	8.140	(z)	2.5
Korea	$9.640	10.147	(z)	2.5
Malaysia	$9.728	10.240	(z)	0.5
Philippines	$10.786	11.354	(z)	2.5
Singapore	$11.740	12.358	(z)	1.0
Thailand	$12.031	12.664	(z)	2.5
South East Asia	$11.083	11.666	(z)	3.0
US Dollar Liquidity	$9.583	10.062	(z)	3.4
Cater Allen Investment Management (CI)				
CA Gilt Income	£6.59	6.89	+0.04	7.42
CA Gilt & Futures	£1.025	1.078		7.42
CA Equity Gwth	£3.93	4.29		3.50
Citibank (CI) Ltd "Citifunds"				
Liquidity Funds				
Deutschemark	DM30.221		+0.022	-
Yen	Y3019.368		+2.108	-
Sterling	£12.268		+0.010	-
US Dollar	$18.278		+0.009	-
Managed	$18.740		+0.049	-
Short-term Investment Funds				
Wkly £ Dec 12	113.109		+0.279	-

Abtrust Fund Mngrs Luxembourg SA (a)

13 rue Goethe L-1637 Luxembourg

Aetna Intl Umbrella Fund (a)

47 Bvd Royal, PO Box 275, L-2012 Lux

Barclays Intl Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA (a)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Rate talk depresses dollar

THE DOLLAR remained depressed as speculation continued to grow that the weakness in the US economy will soon lead to a cut in American interest rates, while there were lingering fears that Bundesbank might raise interest rates at its council meeting today.

The dollar fell in early dealings as the discussion about an imminent reduction in US rates spread round the market. The dollar fell to a low of DM1.5670 from DM1.5780 the previous day.

But with many operators short of dollars, there were few players willing to push the US unit much lower. An opportunity to buy dollars back came after Mr Alan Greenspan, chairman of the Federal Reserve, said he was "very uncomfortable" with calls to drive the dollar lower in order to boost US competitiveness.

Mr Greenspan's testimony on the economy was not as pessimistic as some had feared and encouraged dealers to mark the dollar higher. The dollar eventually settled at DM1.5730, ½ pfennig lower on the day.

The indication from the Federal Reserve that there would not be an immediate cut in interest rates also provided support. In its daily reserve operations, the Federal Reserve surprised the market by adding liquidity.

But short-term money rates were steady and Federal funds remained close to the Federal Reserve's presumed target of 4½ per cent. Economists said the injection of liquidity carried no policy significance and did not alter the market's belief that the discount rate will be lowered to 4 per cent from 4½ per cent.

The dollar also finished lower at Y128.45 from Y128.60, while sterling against the dollar rose to $1.8250 from $1.8205.

The other factor tempering the dollar's recovery during the afternoon was the announcement from the Bundesbank that it will hold a press conference after today's council meeting.

This encouraged speculation that the Bundesbank will raise interest rates. In the past, the Bundesbank has often used a press conference to announce changes in interest rates.

However, there was uncertainty whether rates will be raised today. Most traders believed the German central bank will leave policy unchanged today.

With US interest rates expected to fall, they said a rise in German rates could put pressure on the dollar. Most currency dealers believed it would be undiplomatic for the Bundesbank to put up rates just as the US was moving in the opposite direction and Mr Greenspan was warning against a lower dollar.

However, there was also an acknowledgement that with wage increases likely to feed through into higher inflation, the Bundesbank may disregard diplomacy and take the opportunity to send a warning signal to wage bargainers with higher interest rates.

Inside the ERM, the mark slipped to third from second strongest.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 18	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.803	-2.86	4.96	49
Belgian Franc	42.4032	41.9679	-1.03	3.01	47
D-Mark	2.05586	2.03879	-0.83	2.82	49
Dutch Guilder	2.31643	2.29722	-0.83	2.81	38
Irish Punt	0.767417	0.764749	-0.35	2.31	13
Italian Lira	1538.24	1540.40	0.14	1.81	-10
French Franc	6.89509	6.96627	1.03	0.91	-60
Danish Krone	7.84195	7.93211	1.15	0.80	-55
Sterling	0.696904	0.710533	1.96	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec 18	Latest	Previous Close
£ Spot	1.8250-1.8260	1.8265-1.8275
1 month	0.99-0.97pm	1.01-0.99pm
3 months	2.81-2.78pm	2.80-2.77pm
12 months	9.93-9.83pm	9.95-9.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec 18	Previous
8.30 am	91.5	91.5
9.00 am	91.5	91.5
10.00 am	91.5	91.5
11.00 am	91.5	91.4
Noon	91.5	91.4
1.00 pm	91.5	91.4
2.00 pm	91.6	91.4
3.00 pm	91.6	91.4
4.00 pm	91.6	91.4

CURRENCY MOVEMENTS

Dec 18	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.6	-20.3
U.S. Dollar	62.2	-16.9
Canadian Dollar	103.6	+1.9
Austrian Schilling	110.3	+12.3
Belgian Franc	112.2	-1.4
Danish Krone	109.3	+3.3
D-Mark	119.6	+25.7
Swiss Franc	109.6	+18.2
Dutch Guilder	115.1	+16.7
French Franc	103.5	-12.7
Lira	99.1	-19.8
Yen	140.2	+74.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Dec.17

CURRENCY RATES

Dec 18	Bank rate %	Special* Drawing Rights	European† Currency Unit
Sterling	-	0.770167	0.710533
U.S. Dollar	4.50	1.40440	1.29992
Canadian $	7.52	1.60888	1.48919
Austrian Sch	7.50	15.5509	14.3472
Belgian Franc	8.00	45.5131	41.9679
Danish Krone	9.50	8.59212	7.93211
D-Mark	7.50	2.21053	2.03879

POUND SPOT - FORWARD AGAINST THE POUND

Dec 18	Day's spread	Close
US	1.8245 - 1.8315	1.8245 - 1.8255
Canada	2.0915 - 2.0970	2.0960 - 2.0970
Netherlands	3.2290 - 3.2400	3.2300 - 3.2400
Belgium	58.90 - 59.20	58.95 - 59.05
Denmark	11.1380 - 11.1740	11.1450 - 11.1560
Ireland	1.0740 - 1.0865	1.0765 - 1.0770
Germany	2.8655 - 2.8755	2.8675 - 2.8725
Portugal	252.65 - 253.75	252.75 - 253.75

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.42-5.37cpm. 12 Month 9.93-9.83cpm

EURO-CURRENCY INTEREST RATES

Dec 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
US Dollar	4½ - 4¼	4½ - 4⅜	4⅝ - 4½	4⅝ - 4½	4½ - 4⅜	4⅝ - 4½
Can. Dollar	7¼ - 6¾	7¼ - 6¾	7⅛ - 7⅛	7⅛ - 6⅞	7⅛ - 6⅞	7⅛ - 6⅞
Dutch Guilder	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9¾	9¾ - 9⅝	9¾ - 9⅝	9⅝ - 9½
Swiss Franc	7⅞ - 7⅝	7⅞ - 7⅝	8⅛ - 8	8⅛ - 8	8⅛ - 8	8 - 7⅞
D-Mark	9 - 8⅞	9⅛ - 9	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
French Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Italian Lira	12 - 10	12¾ - 12½	12¾ - 12½	12½ - 11¾	12¼ - 12	12¼ - 12
Belgian Franc	9½ - 9¼	9½ - 9¼	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9½ - 9⅜
Yen	6⅛ - 6¼	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6¼	5⅞ - 5¾	5⅝ - 5½
Danish Krone	9⅛ - 9	9⅝ - 9½	9¾ - 9⅝	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Asian $Sing	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	3¼ - 3⅛	3¼ - 3⅛

Long term Eurodollars: two years 5⅜-5¼ per cent; three years 5⅞-5¾ per cent; four years 6⅛-6¼ per cent; five years 6⅞-6¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.18	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.825	2.870	234.5	9.813	2.545	3.235	2168.	2.097	59.00	1.408
$	0.548	1	1.573	128.5	5.377	1.395	1.773	1188	1.149	32.33	0.772
DM	0.348	0.636	1	81.71	3.419	0.887	1.127	755.4	0.731	20.56	0.491
YEN	4.264	7.783	12.24	1000.	41.85	10.85	13.80	9245	8.942	251.6	6.004
F Fr.	1.019	1.860	2.925	239.0	10.	2.593	3.297	2209	2.137	60.12	1.435
S Fr.	0.393	0.717	1.128	92.14	3.856	1	1.271	851.9	0.824	23.18	0.553
N Fl.	0.309	0.564	0.887	72.49	3.033	0.787	1	670.2	0.648	18.24	0.435
Lira	0.461	0.842	1.324	108.2	4.526	1.174	1.492	1000.	0.967	27.21	0.649
C$	0.477	0.870	1.369	111.8	4.680	1.214	1.543	1034	1	28.14	0.671
B Fr.	1.695	3.093	4.864	397.5	16.63	4.314	5.483	3675	3.554	100.	2.386
Ecu	0.710	1.296	2.038	166.5	6.969	1.808	2.298	1540	1.489	41.90	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

OTHER CURRENCIES

Dec 18	£	$
Iran	117.90*	65.70*
Korea(Sth)	1374.55 - 1396.70	753.70 - 762.70
Kuwait	0.52120 - 0.52190	0.28490 - 0.28520
Luxembourg	58.95 - 59.05	32.30 - 32.40
Malaysia	5.0105 - 5.0190	2.7420 - 2.7440
Mexico	5559.50 - 5569.50	3040.00 - 3042.00
N.Zealand	3.3290 - 3.3325	1.8190 - 1.8210
Saudi Ar	6.6055 - 6.6875	3.7490 - 3.7500
Singapore	3.0070 - 3.0146	1.6460 - 1.6480
S.Af (Cm)	5.0500 - 5.0620	2.7660 - 2.7675
S.Af (Fn)	6.1615 - 6.2670	3.2260 - 3.2785
Taiwan	46.85 - 46.90	25.70 - 25.75
U.A.E.	6.6675 - 6.7445	3.6715 - 3.6735

*Official rate. Floating rate £-2578.0 $-1421.0

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	1.60	-	-	0.37	0.51	-
107	0.96	1.73	-	0.71	0.81	-
108	0.52	1.22	-	1.26	-	-
109	0.25	-	-	-	-	-
Open Int.	139,506	10,676	250	85,041	13,085	250

Estimated volume 20,164 Total Open Interest 248,808

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth
1.8250	1.8152	1.7970	1.7710	1.7263

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates firm

THE UNEXPECTEDLY large liquidity shortages in the UK market continued to push money rates higher yesterday, forcing action from the Bank of England in its daily money market operations.

Money flowing into the Exchequer for technical end of the year reasons has caused larger than normal liquidity shortages in the UK market.

The £1.95bn shortage, later revised to £2.05bn, caused overnight money rates to rise to 20 per cent at one stage.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

Longer-term money was also expensive, with three months inter-bank still offered at 10⅞ per cent, above the current level of bank base rates.

For most of this year, the Bank of England had countered the daily liquidity shortage by buying short-dated bills from the market. Typically, these were in bands one and mature in 33 days.

But yesterday the Bank bought bills in bands three and four - the first time since April 1989 - which will spread the impact on the market when the current shortages unwind.

The move, which is an attempt to cut the large daily shortages, does not have any wider policy significance. The size of the weekly Treasury bill tender has also been reduced, also to prevent excess liquidity draining from the system.

Money market rates were also supported ahead of the Bundesbank council meeting today. Although most dealers did not expect a rise in rates, there was sufficient uncertainty to keep rates firm.

The talk that the Bundesbank may move on rates was heightened after the central bank announced that it would be holding a press conference after its policy setting council meeting.

When the Bundesbank announces a change in interest rates, it is usually at a press conference. But analysts also noted that the Bundesbank held a press conference after the last council meeting but left rates unchanged.

German money rates were steady after the Bundesbank injected liquidity into the system. The move was unexpected but dealers said it carried no policy significance. It was merely an attempt to counter end of year liquidity shortages. Call money was unchanged at 9.00-9.10 per cent.

The US money markets continued to speculate about a cut in rates. There was some speculation that the Federal Reserve had made no early move but most traders were still expecting a ½ point cut to 4 per cent this week.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.18) 3 months US dollars		6 months US Dollars	
bid 4⁷⁄₁₆	offer 4⁹⁄₁₆	bid 4½	offer 4⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	7½	One month	4.16	Three year	5.42
Broker loan rate	6¾	Two month	4.33	Four year	5.51
Fed.funds	4½	Three month	4.21	Five year	6.27
Fed.funds at intervention	-	Six month	4.35	Seven year	6.74
		One year	4.42	10-year	7.19
		Two year	5.07	30-year	7.76

Dec.18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.05-9.15	9.30-9.50	9.30-9.50	9.30-9.50	9.30-9.50	9.25
Paris	9⅝-9½	9⅝-9¼	9⅝-9⅝	9¾-9⅞	9⅝-9⅝	9.25
Zurich	6⅞-7⅛	8⅛-8⅛	-	8-8⅛	-	-
Amsterdam	9.56-9.68	9.65-9.75	-	9.56-9.66	-	-
Tokyo	6⅞-6⅝	6⅜-6⅛	-	5⅝-6⅛	-	-
Milan	11⅞-12⅛	13-13⅛	-	12⅝-13	-	-
Brussels	9.25-9.37	9⅝-9⅞	-	9⅝-9⅞	-	-
Dublin	9¾-9⅞	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	-

LONDON MONEY RATES

MONEY MARKET FUNDS

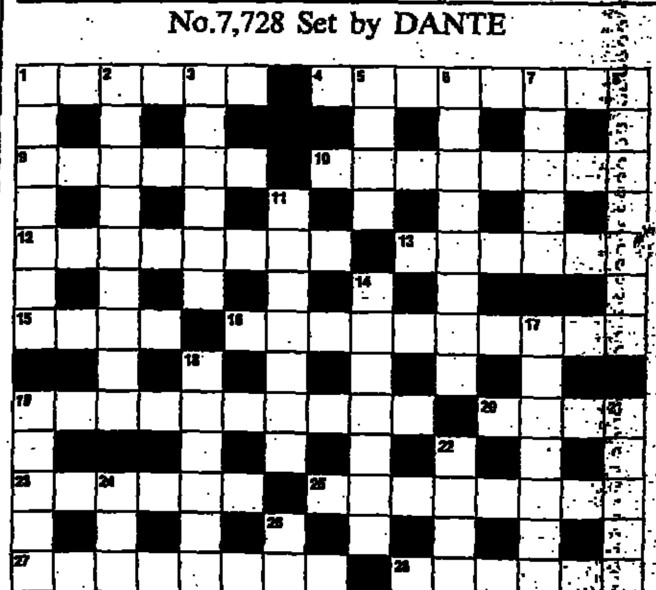
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,728 Set by DANTE



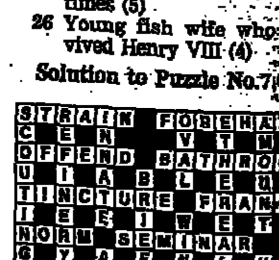
ACROSS

1 Cricket side opener played badly (3,3)
4 Highly skilful apprentice put in complete control? (8)
9 Cats in the pound (6)
10 Tiptoe in order to get round robin, perhaps (8)
12 Anna is to transpose music (8)
13 The way engineers let it stand outside (6)
15 Post of bodyguard (4)
16 Liking this share (10)
19 Novelist that is involved in broadcasting (10)
20 Elderly, but managed without a valet (4)
23 Aunt is upset about all plant and animal life (6)
25 Took vain steps, having support (8)
27 Out of form – but not as a golfer (5,3)
28 Get out the cane, for example, or put into confinement (6)
29 The way the world goes round (8)
30 Break a hole in a wall (6)

DOWN

1 This animal won't always die a natural death (7)
2 Such great times you have before you! (9)
3 They happen to upset Steven (6)
5 A study of foreign capital (4)
6 Tortuous swindlers (8)
7 Breed fish, we hear (5)
8 Major currency of China (7)
11 Become habit-free? (7)
14 Exertions out in the forest around the first of February (7)
17 Arrange a loan and I get a note in exchange (9)
18 Inflate an account maybe – or unduly reduce one (8)
19 Hairstyle, the prevailing fashion, certainly (7)
21 Fair play for car-drivers (7)
22 Shakespearian fruit (6)
24 Diets must change with the times (5)
26 Young fish wife who survived Henry VIII (4)

Solution to Puzzle No.7,727



WORLD STOCK MARKETS

AUSTRIA

December 18	Sch	+ or −
Austrian Airlines	2,330	+20
Creditanstalt Pf	422xr	−1
EA General	2,900	−10
EVN	802	+1
Jungbunzlauer	9,880	+10
OeMV	959	+2
Perlmooser Zement	1,370	+40
Radex Heraklith	448	+4
Reininghaus Brau	1,600	+40
Steyr Daimler	238	+1
Veitscher Magnesit	306	....
Verbund (Br) A	499	....
Wienerberger	4,375	−20
Z-Laenderbank	1,010	....

BELGIUM/LUXEMBOURG

December 18	Frs.	+ or −
ACEC-Union Min	2,170	−20
AG Group	1,705	....
Arbed	3,195	−95
BBL	3,195	+45
Bank Intl a Lux	11,350	−50
Banq Gen Lux Pts	12,200	....
Barco	954	−14
Bekaert	9,100	−50
CBR Ciment	6,610	+80
Cobepa	4,650	+30
Cobepa AFV1	4,620	−30
Cockerill Priv	140	−2
Colruyt	4,260	+30
Delhaize Frs Lion	7,900	−80
Electrabel	4,725	+15
Electrabel AFV	4,650	....
Electrafina ACT	2,590	+35
Fabrique Nat	51	....
GBL	3,285	−35
GBL AFV 1	3,260	....
GIB Group	1,230	....
GIB Group AFV	1,168	....
Gechem	316	−50
Gechem AFV	350	−11
Generale Banque	5,920	+20
Gen Banque AFV1	5,810	−30
Gevaert	6,150	−100
Kredietbank	4,120	....

FRANCE (continued)

December 18	Frs.	+ or −
Bancaire Cie	460	−2
Beghin-Say	542	....
Beghin-Say Cert Inv	421	−29
Bongrain	2,452	−8
Bouygues	508	−4
CSIP	930	−17
C M B Packaging	163	−0.80
Canal+	983	−5
Cap Gemini S	263	−0.40
Carrefour	2,224	+12
Casino	130	−0.30
Cetelem	614	+4
Chargeurs	875	−19
Club Mediterranee	401	−4.70
Cogifi	330	−5
Coparex	600	....
C C F	159	−3
Cr Fonc France	901	−9
Cred Lyon (CI)	482	−3
Credit National	929	−16
Damart	2,270	+40
Docks de France	350	+1.50
Dollfus Mieg Cie	263	−0.90
EBF	739	−1
Eaux Cie Genl	2,020	−15
Ecco	334.50	−1.60
Elf-Aquitaine	391	+6
Elf-Aquitaine Certs	251.50	−0.50
Essilor Int	304	−4.90
Etex	1,700	−10
Eurafrance	1,313	−1
Eurocom	550	−7
Euro Disney	135.70	−0.20
Evor	1,321	....
Finextel	119.90	+2.30
Fonc Lyonnaise	660	+1
From C et Anv	2,258	+23
GTM-Entrepose	330	....
Gal. Lafayette	1,390	−35
Gaumont (Soc N)	617	+7
Geophysique	500	−16
Hachette	122	−2
Havas	420	−3.50
Imetal	235.20	−6.80
Imm de France	795	−30
Immobanque	720	+20
Immob Phenix	139.40	−1

INDICES

NEW YORK

DOW JONES	Dec 17	Dec 16	Dec 13	Dec 12	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2902.28	2919.05	2914.36	2895.13	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	98.00	97.90	97.82	97.73	98.00 (17/12)	91.30 (16/1)	98.00 (17/12/91)	54.99 (1/10/81)
Transport	1206.46	1220.48	1218.80	1199.74	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.25	215.07	217.70	219.20	221.64 (2/12)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2936.27 (2946.33) Low 2886.40 (2900.49)

STANDARD AND POOR'S

	Dec 17	Dec 16	Dec 13	Dec 12	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	382.74	384.46	384.47	381.55	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	451.95	453.55	452.77	448.80	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.42	30.71	30.83	30.60	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	211.21	212.08	211.90	210.44	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	369.81	370.45	369.48	366.13	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	539.70	543.73	540.90	536.02	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Dec 13	Dec 6	Nov 29	year ago (approx.)
Dow Industrial Div. Yield	3.14	3.17	3.15	3.97

	Dec 11	Dec 4	Nov 27	year ago (approx.)
S & P Industrial div. yield	3.22	2.80	2.82	3.31
S & P Indl. P/E ratio	21.05	22.98	22.78	15.89

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Citicorp	5,927,800	9¼	- ⅛
Saatchi	3,730,100	5	+ ⅛
RJR Nabisco	3,105,200	10¼	- ¼
Glaxo	2,608,000	30½	+ ½
Gen Motors	2,105,600	27⅞	- ⅝
USX-Marathon	2,025,900	21¼	- 1⅛
Triton	1,753,700	32⅞	- 3¾
Owens-Illinois	1,596,300	10	- ⅛
Philip Morris	1,566,900	71½	+ ⅛
AT & T	1,519,400	38	+ ¼

TRADING ACTIVITY

† Volume (Millions)	Dec 17	Dec 16	Dec 13
New York SE	191.280	173.010	194.470
Amex	16.253	15.696	18.020
NASDAQ	191.123	148.401	178.703
NYSE			
Issues Traded	2,189	2,190	2,183
Rises	571	990	1,092
Falls	1,150	693	555
Unchanged	468	507	536
New Highs	64	73	74
New Lows	58	38	30

CANADA

TORONTO	Dec 17	Dec 16	Dec 13	Dec 12	1991 HIGH	1991 LOW
Metals & Minerals	2689.56	2724.79	2768.41	2760.23	3299.99 (18/7)	2632.06 (9/1)
Composite	3325.08	3346.16	3359.47	3348.42	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1763.49	1777.45	1779.00	1773.57	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec 18	Dec 17	Dec 16	Dec 13	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1578.5	1599.8	1605.2	1598.0	1696.3 (8/11)	1294.5 (16/1)
All Mining (1/1/80)	627.2	638.7	637.2	633.5	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	386.49	385.99	383.37	382.95	534.81 (16/4)	379.16 (12/12)
BELGIUM						
BEL20 (1/1/91)	1072.59	1076.05	1076.61	1081.62	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	350.51	348.71	348.17	348.34	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	768.5	768.9	774.4	776.7	1166.9 (8/4)	768.5 (18/12)
FRANCE						
CAC General (31/12/82)	465.80	465.02	464.45	464.01	503.51 (15/11)	394.88 (15/1)
CAC 40 (31/12/87)	1706.17	1711.73	1696.80	1688.27	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	638.79	633.34	632.08	633.72	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1801.7	1786.1	1782.9	1789.9	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1573.75	1560.93	1552.89	1558.34	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4177.67	4185.03	4171.66	4155.48	4271.34 (15/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1378.13	1386.81	1381.07	1383.95	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital (1972)	503.75	506.33	499.96	492.75	619.38 (3/6)	482.89 (10/12)
JAPAN						
Nikkei (16/5/49)	22629.90	22736.29	22836.67	22754.90	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1704.01	1718.78	1722.18	1726.15	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2494.93	2513.72	2510.66	2503.14	3423.45 (10/5)	2466.62 (11/12)
MALAYSIA						
KLSE Composite (4/4/86)	540.61	543.30	542.45	537.85	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	272.5	273.8	272.9	272.4	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	191.4	191.7	191.7	191.3	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Indl) (2/1/83)	650.43	655.03	657.49	662.48	793.53 (26/8)	595.77 (2/12)
PHILIPPINES						
Manila Comp (2/1/85)	1114.58	1111.31	1113.08	1126.10	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	392.80	395.78	396.25	392.07	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1186.0‡	1198.0	(c)	1194.0	1469.0 (5/7)	972.0 (25/2)
JSE Industrial (28/9/78)	4133.0‡	4136.0	(c)	4148.0	4364.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	607.69	623.40	630.45	653.40	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	234.95	236.67	237.69	240.24	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	891.9	892.9	892.7	906.9	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	718.1	719.2	717.9	716.7	769.3 (14/11)	590.4 (14/1)
SBC General (1/4/87)	582.9	583.8	583.2	582.0	638.8 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4457.62	4400.30	4391.53	4417.06	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	697.00	694.12	695.48	699.69	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	503.8*	506.7	507.9	506.5	529.2 (17/4)	439.1 (16/1)

**Saturday December 14: Taiwan Weighted Price: 4399.61; Korea Comp Ex. 639.72.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 18 December 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyo Ink	7.3	958	-19	Nippon Suisan	2.8	688	-11
Okamoto	4.7	1,110	0	All Nippon Air	2.5	1,330	-20
Nippon Steel	4.4	357	-3	Nippon Mining	2.1	535	+11
Toshiba	4.1	650	0	Mitsubishi Elec	2.0	590	+4
Mitsui Sugar	3.2	782	-13	Meiji Milk	2.0	1,030	+20

3:00 pm prices December 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	4.4	14	830	11½	10¾	10⅞	-⅛
22⅞	14½	A L Labs A x	0.16	0.7	23	220	21¾	21¼	21½	-⅛
55⅛	40⅞	AMP Inc	1.44	2.7	21	533	53⅜	53⅛	53⅛	-⅛
68⅝	44¼	AMR				122936	63⅜	62⅝	63	+½
2⅝	1	ARX			1	660	1¼	1⅛	1¼	+⅛
65	41½	ASA	3.00	6.4	13	451	46⅞	46¼	46⅝	+⅜
61⅞	39¼	Abbot Lab x	1.00	1.6	24	3140	61¼	60⅝	61	-⅛
14⅝	9⅞	Abitibi Pr x	0.50	3.8	17	18	13⅛	13⅛	13⅛	
11⅝	10⅜	ACM Gvt In x	1.26	11.4		1090	11⅛	11	11	
9¾	8¾	ACM GvOpp x	1.01	10.6		178	9½	9⅜	9½	+⅛
9½	8¼	ACM Gvt Sp	1.01	10.9		80	9¼	9⅛	9¼	
11	9⅞	ACM Gvt Se	1.26	11.6		168	10⅝	10½	10⅝	
9	7⅝	ACM Man x	1.09	12.1		214	u9	8⅞	9	+⅛
12⅞	11½	ACM Managd x	1.35	10.9		155	12⅜	12¼	12⅜	+⅛
7½	4⅛	Acme Cleve	0.40	6.7	13	74	6⅛	6	6	
6	3⅜	Acme Elect			3	6	4⅜	4⅜	4⅜	+⅛
40	22⅜	Acuson			18	691	28¾	27½	28¼	-⅛
20¼	14¼	Adams Expr	1.63	9.0	0	34	18⅛	17⅞	18⅛	
20⅛	13¾	Adobe12Pf	2.40	17.4		203	14	d13⅝	13¾	
9⅛	4⅜	Adobe Res				462673	4⅝	d4⅜	4⅝	+¼
40½	18	Ad Micro				59	38⅜	38	38	-⅝
18⅛	4⅝	Ad Micro P	3.00	20.2	74	12138	15⅛	14⅞	14⅞	-⅛
5⅛	2¼	Advest Grp	0.16	3.6	6	27	4⅝	4⅜	4⅜	
49⅛	31⅞	Aetna Ll x	2.76	7.5		73186	37⅛	36½	36⅞	-¼
10⅝	6⅝	Affil A x	0.24	2.9	74	501	8⅜	8½	8¼	-⅛
20⅞	12	Ahmanson	0.88	6.5		82548	13¾	13⅜	13½	-¼
19½	2⅞	Aileen Inc			18	413	19⅞	18⅝	18¾	-¾
74⅛	51⅛	Air Pr Chm x	1.56	2.3	15	309	67⅞	67	67¼	-½
30	16⅝	Airbne Frt	0.30	1.4	16	207	22¼	21⅝	22	
22½	12½	Airgas Inc			105	194	22⅛	22	22⅛	+⅛
15¾	10	Airlease	1.68	15.3	6	188	11	10⅞	11	
100½	88¼	AlaPw8.16	8.16	8.3		9	98½	98½	98½	-¼
25⅛	21⅛	AlaPw PfA	2.00	8.0		11	u25⅛	25⅛	25⅛	
107	100	AlaPw8.44	8.44	8.0		4	105	105	105	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A - (continued) · - B - · - C - · - D - · - E - · - F - · - G - · - H - · - I - · - J - · - K - · - L - · - M - · - N - · - O - · - P - Q - · - R - · - S -

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NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chg
29¾	14¼	Xtra Corp	0.72	2.6	13	30	28¼	28	28	-¼
27⅞	21¼	Yankee Egy x	1.60	6.7	11	73	24⅛	23⅞	23⅞	-⅝
1½	⅛	Zapata			48	175	⅞	d½	½	
9⅝	5¼	ZenithElec			2	153	6⅞	6¼	6⅝	-⅛
18½	12	Zenith Nat x	1.00	6.9	120	34	14½	14	14½	+½
6⅞	4½	Zenix Inc x	0.84	13.7		121	6¼	6⅛	6⅛	-⅛
15⅛	10	Zero Corp	0.40	3.8	13	225	10⅞	10½	10½	-⅛
41⅞	29½	Zurn Ind x	0.88	2.8	12	183	31½	31	31¼	-⅛
13½	10¼	Zweig Fund	1.16	9.1		262	12⅞	12⅝	12¾	-⅛
10½	8½	Zweig Tot x	0.96	9.2		537	10⅜	10¼	10⅜	

[illegible]

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked as xd early.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax i-dividend declared after split-up or stock dividend j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE PRICES

3:00 pm prices December 18

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NASDAQ NATIONAL MARKET

3:00 pm prices December 18

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	338	27¼	27¼	27½	-¼
XL Data		31	89	10½	10⅜	10½	
Xoma Corp		11	1083	19½	18¾	19¼	+¼
Yellow Fr	0.94	16	981	25½	d24¾	25⅛	-¼
York Rsch		63	1000	7⅝	7¼	7⅝	+⅛
ZionsUtah	1.44	6	79	40½	39¼	39¾	

FINANCIAL TIMES

Thursday December 19 1991

AMERICA

Concern about economy holds Dow in check

Wall Street

CONCERN ABOUT the US economy continued to dampen spirits on Wall Street yesterday morning, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was 6.71 lower at 2,895.57 in moderately heavy volume. On the big board, declining issues outpaced those advancing by a ratio of three to one, and declines were posted by all of the major market indices. The Standard & Poor's 500 fell 1.38 to 381.36 at 12 pm and the Nasdaq composite lost 1.81 to 537.89. On Tuesday, the Dow dropped 16.77 to close at 2,902.28.

Comments by Mr Alan Greenspan, the Federal Reserve chairman, to Congress about the "faltering economy" came as no surprise to the market, but there was some disappointment over the lack of a rate cut yesterday morning.

General Motors edged $⅛ lower to $27¾ after the big auto maker announced a slate of cost-cutting measures, including selling some non-core assets and cutting staff. The company does not expect charges related to the measure to match its 1990 third quarter charge of $2.1bn.

Among the other big US carmakers, Chrysler lost $⅜ to $10⅛ and Ford held steady at $24¾.

Technology issues were heavily traded. Digital Equipment tumbled $5⅝ to $51⅛ after predicting that it would probably turn in a loss for the three months ending December 28. Digital blamed its poor second quarter performance on the impact of a weak worldwide economy on customer demand for larger computer systems. Last year, Digital had second quarter net income of $111.1m or 92 cents a share on revenues of $3.35bn.

IBM fared better than Digital yesterday morning, rising $⅞ to $86⅞ in active trading.

Speculation about a big charge against earnings continued to swirl around Citicorp, which lost $¼ to $9¾ in active trading after dropping $⅜ a day earlier. The banking group has denied the rumours.

Ameritech, one of the so-called "Baby Bell" regional telephone companies formed after the split-up of AT&T in the early 1980s, gained $⅜ to $63⅛ after announcing plans to cut more than 4,000 jobs. Ameritech expects to take a fourth quarter restructuring charge of about $140m or 53 cents a share.

After a delayed opening caused by an order imbalance, Commonwealth Edison shed $1⅝ to $38⅝ in active trading amid concern over a rate dispute at the Chicago-based utility company. On Monday, the Illinois Supreme court remanded a March 1991 rate order back to the Illinois commerce commission, opening the door for a lengthy dispute and a possible rate roll-back.

In the secondary market, Amgen lost ground for a second day after Soundview Financial cut its investment rating from "buy" to "hold" on the stock and cut its 1992 earnings estimates for the company. At midsession, the stock was $1½ lower at $59, adding to its $1¾ decline on Tuesday.

Canada

TORONTO turned mixed at midday but the market remained listless. The composite index rose 2.8 to 3,327.9, recovering from a low of 3,315.91. Declining issues led those advancing by 258 to 210, and volume was 18.3m shares valued at C$191.6m.

Tax-loss selling continued to weigh on the market.

Coca-Cola Beverages of Canada dropped C$⅛ to C$6⅛. The company said that it expected lower-than-expected earnings in the fourth quarter.

Northern Telecom, one of the best performers in the market this year, slipped C$⅜ to C$49 on profit-taking.

Among active issues, T and H Resources fell 2 cents to 16 cents, Inco firmed C$⅛ to C$32⅛, Laidlaw class B rose C$⅛ to C$9¼ and Nova was flat at C$6⅝.

Re-rating of stocks fuels South African advance

Some analysts say the warning lights are flashing, while others expect further gains, says Philip Gawith

THIS YEAR has been another good one on the Johannesburg Stock Exchange (JSE), the all-share index having risen by 36 per cent from its January low to 3,447 yesterday, driven largely by a 47 per cent rise on the industrial board. Observers are beginning to wonder, though, whether the market is now overvalued.

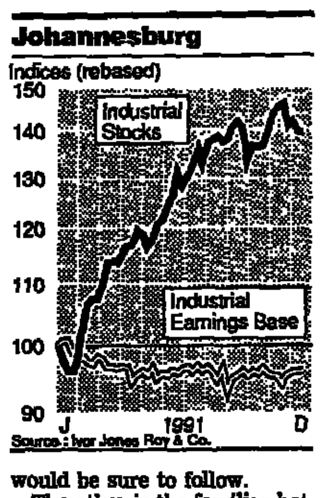
The rise in the market – which is currently about 4 per cent off its mid-November peak – has essentially been a re-rating, unsupported by any rise in earnings. This is shown by the change in the price/earnings ratio of the industrial index, from 9.4 at the beginning of the year to 13.8 now. Amber lights are starting to flash, 15 being the p/e level on the JSE that has tended to precede a significant downward correction.

While some anticipate a reverse, others argue that if South Africa achieves a workable political solution, growth prospects are so good that the old frames of reference must be discarded. The main point is that South Africa in future will have capital to fund growth which it previously needed to finance debt repayment.

If this bullish scenario ensues, the market will, if anything, enjoy a further upward re-rating. But growth needs to start soon to justify current levels, and it is certainly a prerequisite for any further significant upward trend. Although economists believe that the economy has probably bottomed out in the fourth quarter, their confidence is not shared by many retailers, many of whom are lamenting the weakest trading conditions in 20 to 30 years.

Two important technical factors which affect the performance of the JSE should be noted. One is the strong relationship between the JSE and the Dow Jones Industrial Average on Wall Street.

Local analysts agree that "all bets are off" if the Dow should crack. No matter what the fundamentals, the JSE would be sure to follow.



The other is the familiar hothouse effect on the JSE, with large institutional cash flows – estimated at R40bn ($14bn) in 1992 – chasing limited scrip, and being kept in the country by exchange control. Mr Jan Calitz, managing director of the Southern Life insurance company, has estimated that at least 50 per cent (R20bn) of institutional money will flow into equities, compared with an estimate of only R9bn worth of new scrip coming on to the market.

The weight of funds theory has recently acquired further impetus from two sources:

- a recent change to the prudential guidelines for insurers and pension funds, which allows an increase in the equity content of a portfolio's asset distribution from 65 to 75 per cent,
- and the increasing flow of government and parastatal pension funds, previously invested exclusively in the capital market, into equities.

Both of these changes are likely to exert upward pressure on the market, equities having a proven record of offering the best investment return in a high inflationary environment such as South Africa's.

Given this backdrop, and assuming no major correction on the Dow, local analysts are looking for an improvement of about 20 per cent in the index next year, driven in roughly equal terms by a change in earnings and a further upgrading of p/e ratios. Mr Richard Jesse, analyst at Martin and Co, the stockbroker, believes that the best performing shares are likely to be second-line stocks, currently on p/e ratios of less than 10, which have reasonable growth prospects. Premier blue-chip stocks, already on p/e's of 20 or more, are seen as having less upside potential.

One sector, largely indigenous to South Africa, that performed well in 1991 and may do so again in 1992 is the mining houses. The mining house index has risen 44 per cent since the year's low in January. Shares such as JCI and Anglovaal have risen by more than 50 per cent since January, with the market leader, Anglo American, up by 34.5 per cent.

Mr John Clemmow, mining analyst at George Huysamer, the stockbroker, says that the good performance is baffling, since world commodity markets have been uniformly weak – gold, in the past, has often been contra-cylical; their industrial interests have not performed well; and all are predicting flat or lower earnings.

Against this are three main factors: in spite of their names, mining houses have diverse holdings and act as portfolios of South Africa. As such, they are attractive to foreigners, especially fund managers with no weighting given to South African shares in their portfolios, who want some exposure to the country but come up against the problem of tradeability.

Second, with an emerging trend for mining houses to liquidate their dormant assets, there is a perception that there is a lot of value to be unlocked.

Finally, Mr Clemmow argues that, thanks to their size, mining houses are the South African companies best placed to compete internationally. He believes that prospects for growth elsewhere in Africa are particularly good.

EUROPE

Frankfurt beats bourse downtrend on a technicality

TECHNICAL factors allowed Frankfurt to beat a continental downtrend yesterday, writes Our Markets Staff.

FRANKFURT held most of its ground after hours in London afternoon trading, as analysts argued that a Bundesbank press conference today did not necessarily mean an immediate interest rate rise.

The DAX closed 12.82 higher at 1,573.75 after a 5.45 rise to 638.79 in the FAZ at midsession. Volume eased from DM3.4bn to DM3.3bn; traders said that 80 to 90 per cent of the activity was related to the expiry of DTB December futures and options contracts tomorrow.

Daimler said that a new computer chip venture should help it to become the world's leading chip producer; the shares rose DM13.90 to DM735.40. Volkswagen said that its order book was exceptionally good, and recovered DM7 to DM302. Thyssen extended its recovery after maintaining its DM10 dividend rate, which left German shareholders on a yield of 8 per cent. The shares rose DM6.10 to DM198.50.

In retailers, Karstadt put on DM21.70 to DM614.20. Mr Alex Magona of Paribas Capital Markets said that some of the bears of the sector had gone into hibernation. The forthcoming wage round could eventually lead to a rise in retail spending.

Speculation, said analysts, was behind the DM8.30 rise to DM158.50 in Lufthansa. They could not say if this was linked with a Frankfurt story in which Aeroflot, the Soviet Union's state-owned airline, denied a report that it had cancelled scores of flights, and stranded tens of thousands of passengers because of short supplies of jet fuel.

MADRID shed another 0.7 per cent on the general index, which was down 1.72 at 234.95. Turnover was modest at about Pta11bn, down from Pta12.7bn. The index has lost 15.5 per cent since late-September, while Europe overall has fallen only 6.5 per cent.

Mr Javier de Frutos, head of research at Beta Capital, the Madrid-based broker, said that the uncertainties in the market were likely to keep trading dull for a few months, but he added that the downside potential was limited, perhaps to a further 5 per cent.

He also claimed that the market was undervalued, and pointed out that the recent losses have come in thin volumes, suggesting that selling pressure was not great.

Construction stocks were particularly weak. Cubiertas dropped Pta550 or 5.8 per cent to Pta9,000.

AMSTERDAM slipped in trading dominated by professionals. The CBS Tendency index lost 0.3 to 87.8, as Wall Street opened lower and the dollar weakened.

There was active trading in ING, the insurance and banking group, before its third-quarter results, due today. The stock eased 10 cents to Fl 45.40.

DSM recovered from its day's low after the chemicals group denied that its chairman's comments in an in-house magazine article provided a forecast of next year's earnings. Nevertheless, DSM ended Fl 2.70 or 2.8 per cent down at Fl 92.80.

FT-SE Eurotrack 100 - Dec 18

Hourly changes

Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1056.49	1057.19	1057.42	1057.94	1058.34	1057.86	1056.69	1055.55

Day's High 1058.50 — Day's Low 1055.36

Dec 17	Dec 16	Dec 13	Dec 12	Dec 11
1056.74	1051.15	1051.10	1040.33	1034.07

Base value 1000 (26/10/90)

PARIS traded within a narrow range, closing near its day's high at 1,706.17, down 5.56. Turnover was moderate at about FFr2.2bn, after Tuesday's FFr2.5bn.

Most leading blue chips were little changed. Among the few movers, BSN gained FFr8 to FFr976 after the previous day's agreement to buy four mineral water brands from Agnelli family interests in Italy; and Accor dropped FFr8 to FFr625 after Tuesday's news that the European Community was suspending the hotel group's bid for Wagons-Lits of Belgium.

MILAN reversed its recent technical rebound of the past few days. The Comit index fell 1.58 to 503.75 in sluggish trading. Blue chips roughly followed the index, Fiat falling L42 to L4,677 in spite of Tuesday's news that its Fiat Auto SpA subsidiary expects a positive result for 1991. The leading insurer, Generali, eased L230 to L27,620 and Olivetti dropped L40 to L2,615.

ZURICH registered a 2.2 decline to 448.2 in the Crédit Suisse index. Interdiscount, the retail chain, fell SFr160 to SFr2,280. There were worries that the company, which mainly sells consumer electronics, might have poor pre-Christmas business because of the general slowdown in the Swiss economy.

Von Roll, the steel and engineering group, saw its bearers rise SFr25 to SFr900. The Swedish investment company, Proventus, said it had taken a 19.7 per cent stake in Von Roll, equivalent to 26 per cent of the votes, but Von Roll said that it would only allow Proventus 3 per cent of the votes, by refusing to enter the remaining shares in its register.

BRUSSELS finished above the day's lows in fairly active trade. The Bel20 index slipped 3.46 to 1,072.59 in turnover of BFr778m.

Gechem, the chemicals subsidiary of Société Générale de Belgique, fell on expectations of a bigger-than-anticipated 1991 loss. The stock dropped BFr46 or 12.6 per cent to BFr320. Electrorail, the holding company undergoing a restructuring, recouped another BFr9 or 8.5 per cent to BFr115.

OSLO fell 1.1 per cent, the all-share index losing 4.70 to 408.10, but Kvaerner bucked the trend with a NKr2.5 rise to NKr205.5 on a NKr3.5bn contract to build six chemical tankers.

ASIA PACIFIC

Weakness in futures depresses Nikkei

Tokyo

SHARE PRICES were weighed down by selling pressure in the futures markets yesterday, and the Nikkei average fell in dull trading, *writes Emiko Terazono in Tokyo.*

The index shed 106.39 to 22,629.90, after opening at a day's high of 22,670.14 and hitting a low of 22,402.32. Volume fell to 200m shares from 260m.

"It's a typical year-end market," said Mr Ross Purdie at S.G. Warburg Securities. He added that most foreign investors had closed accounts for the year.

Losses led gains by 752 to 212, with 170 issues unchanged. The Topix index of all first section stocks lost 14.77 to 1,704.01 and, in London trading, the ISE/Nikkei 50 index fell 6.48 to 1,268.18.

In Tokyo, index-linked buying related to the Nikkei futures expiry on Simex in Singapore helped to cut losses late in the afternoon. Earlier, small-lot selling had been triggered by the overnight fall on Wall Street and the weakness in the futures markets, following Tuesday's announcement of an increase in margin deposits for futures and options-related trading. Traders said that the rise in trading costs would decrease the number of players, which would lead to a more volatile market.

Institutional investors said that they did not intend to commit funds to equities in the near future. "We cannot buy or sell at these levels," said Mr Kaoru Shimura, head of equities trading at Sumitomo Life Insurance. He added that shares were still too expensive, and that the poor profit projections of companies had yet to be discounted in stock prices.

The Tokyo Stock Exchange announced yesterday that arbitrageurs had stepped up sales of shares against futures positions. Some 340m shares worth Y340.18bn were sold during the week ended December 13. Cash positions held against March futures totalled 1.1bn shares worth Y1,181.7bn as of December 13, up 524m shares or Y544.7bn from the previous week.

High-technology stocks fell on small-lot selling by foreign investors. NEC fell Y20 to Y1,160 and Sony Y170 to Y4,190.

All Nippon Airways fell Y20 to Y1,330 in heavy trading. The issue was cross-traded – shares being sold, and bought back in order to realise profits – by financial institutions wanting to lock in profits before the March book closing.

In Osaka, the OSE average fell 278.26 to 24,353.04 in volume of 46m shares.

Roundup

INTERNATIONAL influences left most of the region's markets lower yesterday.

SEOUL extended its bear run into a fifth straight day, the composite index closing 15.71 or 2.5 per cent down at 607.69, just 2.9 per cent above its 1991 low of 590.57 on June 22. Volume was slow, down from Won180.8bn to Won170.4bn.

Pending margin loan accounts were the biggest single factor in the plunge. Financials were the hardest hit, shedding 3.8 per cent; this sector accounts for the largest portion of margin loan accounts which will become due early in January.

AUSTRALIA dropped 1.3 per cent as domestic iron ore producers cut their price for Japanese markets. This weakened resources stocks and spread to the rest of the market. The All Ordinaries index fell 21.2 to 1,578.5 as the all-resources marker dropped 21.5, or 2.4 per cent, to 882.5.

BHP fell 50 cents to A$13.20. Among other mining companies affected, CRA dropped 62 cents to A$11.48 and North Broken Hill Peko by 13 cents to A$2.28. Turnover rose from A$161m to A$236m.

SINGAPORE saw profit-taking as the Straits Times Industrial index fell 15.33 to 1,438.18 in thin trading. HONG KONG's Hang Seng index sank 7.36 to 4177.67 as turnover rose from A$1.07bn to A$1.13bn.

MANILA rose slightly, the composite index advancing 3.27 to 1,114.58 on news of drilling results from a Philippines oil field.

TAIWAN registered a 1.3 per cent gain, the weighted index closing 57.32 higher at 4,457.62 ahead of Saturday's national assembly elections.

BOMBAY was supported by the state-owned institutions, which helped the BSE index rise 20.11 or 1.1 per cent to 1,834.78, after falling to a day's low of 1,807.21.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 17 1991								MONDAY DECEMBER 16 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	149.23	−0.4	121.53	121.31	122.43	128.28	−0.3	4.55	149.80	121.92	121.63	122.93	128.70	160.31	112.74	118.35
Austria (20)	164.10	+1.1	133.64	133.40	134.63	133.96	+0.5	2.15	162.38	132.17	131.85	133.26	133.27	222.37	153.86	205.44
Belgium (47)	136.37	−0.2	111.06	110.85	111.88	108.80	−0.7	5.44	136.66	111.23	110.95	112.15	109.53	151.20	118.04	134.49
Canada (115)	130.70	−0.8	106.44	106.24	107.22	108.41	−0.6	3.38	131.78	107.26	106.99	108.14	109.12	144.28	126.49	129.38
Denmark (37)	257.41	+0.7	209.63	209.25	211.18	213.91	+0.2	1.67	255.66	208.09	207.59	209.81	213.50	270.56	217.74	241.22
Finland (15)	73.32	−1.5	59.71	59.61	60.15	65.51	−1.6	3.72	74.44	60.59	60.45	61.09	66.59	125.15	73.32	101.76
France (109)	140.36	+0.6	114.31	114.09	115.14	118.68	+0.8	3.73	139.53	113.57	113.28	114.49	118.02	152.26	119.11	137.04
Germany (65)	111.32	+0.3	90.66	90.50	91.32	91.32	+0.3	2.52	110.99	90.34	90.13	91.08	91.08	125.35	94.15	119.28
Hong Kong (55)	172.21	+0.4	140.25	139.99	141.29	171.89	+0.4	4.33	171.56	139.64	139.30	140.80	171.24	176.14	119.62	123.53
Ireland (16)	163.61	+1.0	133.41	133.16	134.39	136.14	+0.6	3.68	162.15	131.98	131.66	133.07	135.27	182.46	132.88	155.20
Italy (77)	72.14	+1.0	58.75	58.64	59.18	64.17	+1.0	3.61	71.39	58.11	57.96	58.59	63.55	88.23	64.76	81.97
Japan (474)	131.56	−0.7	107.14	106.95	107.95	106.95	−0.6	0.80	132.55	107.89	107.62	108.79	107.62	146.97	118.23	130.61
Malaysia (68)	208.18	−0.2	169.54	169.22	170.78	220.16	−0.2	2.83	208.53	169.73	169.31	171.13	220.58	247.78	189.18	202.37
Mexico (17)	1300.17	+2.3	1058.84	1056.91	1066.66	4322.91	+2.3	1.18	1271.01	1034.53	1032.00	1043.07	4225.96	1404.63	534.45	589.12
Netherland (31)	147.05	+0.2	119.76	119.54	120.64	119.40	+0.2	4.52	146.81	119.50	119.20	120.48	119.17	148.25	125.70	135.29
New Zealand (14)	44.59	−2.3	36.31	36.25	36.58	42.73	−1.6	6.43	45.62	37.13	37.05	37.44	43.41	54.64	41.18	42.62
Norway (30)	174.59	+0.0	142.19	141.93	143.24	146.39	−0.4	1.77	174.60	142.11	141.77	143.29	146.93	223.24	157.06	212.72
Singapore (38)	210.89	+0.4	171.75	171.44	173.01	160.02	+0.3	2.19	210.06	170.98	170.56	172.39	159.53	213.93	151.63	160.84
South Africa (61)	235.22	−5.4	191.56	191.21	192.97	174.59	+0.1	2.82	248.62	202.36	201.86	204.03	174.49	271.99	173.00	178.79
Spain (53)	145.74	+0.0	118.69	118.48	119.57	110.69	−0.3	5.00	145.78	118.66	118.37	119.64	110.99	171.12	131.51	147.43
Sweden (25)	169.60	+0.7	138.12	137.87	139.15	143.99	+0.2	3.10	168.44	137.10	136.76	138.23	143.75	204.12	146.60	161.68
Switzerland (59)	95.42	+0.0	77.70	77.57	78.29	82.46	−0.1	2.42	95.41	77.66	77.47	78.31	82.52	100.67	82.17	90.21
United Kingdom (236)	176.39	−0.4	143.65	143.38	144.70	143.65	−0.4	5.19	177.17	144.20	143.84	145.38	144.20	187.44	156.27	167.19
USA (525)	155.87	−0.5	126.94	126.71	127.88	155.87	−0.5	3.14	156.63	127.49	127.18	128.55	156.63	161.59	125.95	133.28
Europe (822)	140.17	+0.0	114.15	113.95	115.00	115.21	+0.0	4.18	140.13	114.08	113.78	115.01	115.23	151.52	125.50	138.18
Nordic (107)	175.28	+0.6	142.75	142.49	143.80	141.99	+0.1	2.26	174.32	141.88	141.54	143.05	141.88	200.81	155.55	172.13
Pacific Basin (718)	132.97	−0.7	108.29	108.09	109.09	109.24	−0.6	1.13	133.88	108.97	108.71	109.87	109.87	145.92	117.86	129.54
Euro – Pacific (1540)	136.17	−0.4	110.89	110.68	111.70	112.39	−0.3	2.38	136.70	111.27	110.99	112.18	112.77	147.66	121.29	133.42
North America (640)	154.25	−0.5	125.62	125.40	126.57	152.64	−0.5	3.15	155.03	126.18	125.89	127.25	153.40	160.44	125.91	132.95
Europe Ex. UK (586)	118.53	+0.4	96.53	96.37	97.26	98.87	+0.3	3.44	118.09	96.12	95.90	96.93	98.61	129.80	103.58	120.24
Pacific Ex. Japan (244)	146.82	−0.1	119.56	119.36	120.46	130.89	−0.1	4.15	146.98	119.64	119.36	120.64	130.98	153.19	111.40	116.29
World Ex. US (1733)	137.74	−0.5	112.17	111.98	113.01	113.96	−0.3	2.42	138.42	112.66	112.40	113.60	114.33	148.16	122.32	133.99
World Ex. UK (2022)	139.62	−0.5	113.71	113.51	114.56	125.33	−0.4	2.39	140.32	114.21	113.94	115.17	125.61	146.16	120.06	129.32
World Ex. So. Af. (2197)	142.23	−0.4	115.83	115.63	116.69	126.66	−0.4	2.68	142.83	116.26	115.98	117.23	127.16	148.66	122.92	132.40
World Ex. Japan (1784)	150.14	−0.4	122.27	122.06	123.19	138.22	−0.3	3.55	150.70	122.66	122.37	123.69	138.60	155.59	126.69	135.07
The World Index (2258)	142.82	−0.5	116.31	116.11	117.18	127.09	−0.4	2.68	143.53	116.82	116.54	117.79	127.58	149.37	123.28	132.68

Latest prices were unavailable for this edition.